

State of Arkansas

77th General Assembly A Bill

SENATE BILL

Third Extraordinary Session, 1989

CALL ITEM 2

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By: Senator Canada

For An Act To Be Entitled

"AN ACT TO AMEND TITLE 26, CHAPTER 51, SUBCHAPTER 5 OF THE ARKANSAS CODE OF 1987 TO PROVIDE A STATE INCOME TAX CREDIT FOR PERSONS WITH MILITARY OR RETIREMENT INCOME; TO AMEND TITLE 26, CHAPTER 51, SUBCHAPTER 3 OF THE ARKANSAS CODE OF 1987 TO PROVIDE A SINGLE CREDIT FOR ACTIVE DUTY MILITARY INCOME; TO REPEAL ALL INCOME TAX EXEMPTIONS FOR RETIREMENT INCOME; AND FOR OTHER PURPOSES."

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

SECTION 1. Title 26, Chapter 51, Subchapter 5 is hereby amended by adding a new section to read as follows:

"26-51-506. Retirement income.

(a) Any taxpayer in this state who receives income from public or private employment related retirement or disability systems, plans, or programs, regardless of the method of funding for such systems, plans or programs, shall be permitted, in addition to all other income tax credits, a credit to be calculated as follows:

(1) On the first two thousand nine hundred ninety-nine dollars (\$2,999) of retirement or disability income or any part thereof, one percent (1%);

(2) On the next three thousand dollars (\$3,000) of retirement or disability income or any part thereof, two and one-half percent (2 1/2%);

(3) On the next three thousand dollars (\$3,000) of retirement or disability income or any part thereof, three and one-half percent (3 1/2%);

(4) The income tax credit permitted under this section shall not exceed two hundred dollars (\$200).

(b) (1) Except as provided in (2) of this subsection, the tax credit provided for in this section for benefits received from an employment-related

public or private retirement or disability system, plan, or program shall be the only tax credit from state income taxes allowed for retirement or disability benefits received from any publicly or privately supported system, plan, or program excepting only benefits received under systems, plans, or programs which are by federal law exempt from state income taxes. Any resident of this state who, prior to January 1, 1989, received both military retirement pay and other retirement or disability benefits shall be entitled to claim only one tax credit in the amount contained in subsection (a) beginning tax year 1989.

(2) The provisions of this section shall not apply to retirement or disability benefits received under a plan, system or fund described in Arkansas Code § 26-51-404(b)(7).

(c) No recipient of retirement or disability benefits from public or private employment-related retirement systems, plans, or programs shall be allowed to deduct or recover his cost of contribution in the plan when computing his income for state income tax purposes.

(d) The allowable amount of the tax credit under this section shall not exceed the amount of state income tax owed by the taxpayer for the year. No taxpayer under the provisions of this section shall be entitled to any refund or rebate of money if the tax credit hereunder exceeds the Arkansas income taxes owed for the year.

(e) Income tax credit earned under subsection (a) of this section but not used in the year earned shall not be carried forward to any subsequent tax years."

SECTION 2. Arkansas Code 26-51-306 is hereby amended to read as follows:

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

(a) Any taxpayer in this state who receives income in the form of service pay or allowances as an active member of the armed services of the United States shall be permitted, in addition to all other income tax credits, a credit to be calculated as follows:

(1) On the first two thousand nine hundred ninety-nine dollars (\$2,999) of service pay or allowances, or any part thereof, one percent (1%);

(2) On the next three thousand dollars (\$3,000) of service pay or allowances, or any part thereof, two and one-half percent (2 1/2%);

(3) On the next three thousand dollars (\$3,000) of service pay or

allowance, or any part thereof, three and one-half percent (3 1/2%);

(4) The income tax credit permitted under this section shall not exceed two hundred dollars (\$200).

(b) Nothing in this section shall exempt from taxation the income of these persons derived from other sources than their service pay and allowances.

(c) The term 'armed services,' as used in this section, means any and all members of the United States Army, Navy, Marine Corps, Coast Guard, Air Force, and any and all other branches of the military and naval forces or auxiliaries."

SECTION 3. Arkansas Code § 26-51-307 (as amended by Act 512 of 1989) and 26-51-309 are hereby repealed.

SECTION 4. All laws and parts of laws in conflict with this act are hereby repealed.

SECTION 5. All provisions of this act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.

SECTION 6. This act shall be applicable to any income year beginning January 1, 1989 or any year thereafter.

SECTION 7. EMERGENCY. It is hereby found and determined by the General Assembly that certain inequities have evolved through the years concerning the taxation of retirement income in this state; that such inequities have no just or sound basis; that it is in the best interest of the state of Arkansas to abolish all income tax exemptions permitted for retirement income and replace such exemptions with a more equitable tax credit; that this act should be given effect immediately to avoid continued potential legal costs to taxpayers under the current tax structure. Therefore, an emergency is hereby declared to exist and this Act being necessary for the preservation of the public peace, health and safety shall be in full force and effect from and after its passage and approval.