

State of Arkansas

77th General Assembly                      A Bill

SENATE BILL

Third Extraordinary Session, 1989

CALL ITEM 2

76

By: Senator Canada

For An Act To Be Entitled

"AN ACT TO AMEND TITLE 26, CHAPTER 51, SUBCHAPTER 3 OF THE ARKANSAS CODE OF 1987 TO ALLOW ALL RESIDENTS A SIX THOUSAND SEVEN HUNDRED DOLLAR EXEMPTION FROM INCOME TAXES ON THEIR RETIREMENT AND DISABILITY INCOME; TO LIMIT THE EXEMPTION FOR MILITARY DISABILITY INCOME TO SIX THOUSAND SEVEN HUNDRED DOLLARS; TO PROVIDE THAT NO TAXPAYER SHALL RECEIVE MORE THAN ONE DEDUCTION FOR RETIREMENT OR DISABILITY INCOME; AND FOR OTHER PURPOSES."

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

SECTION 1. Arkansas Code 26-51-307 is hereby amended to read as follows:

"26-51-307. Retirement or disability benefits.

(a) The first six thousand seven hundred dollars (\$6,700) of retirement or disability benefits received during each income year beginning after December 31, 1988, by any resident of this state from public or private employment-related retirement systems, plans, or programs, regardless of the method of funding for such systems, plans, or programs, shall be exempt from the state income tax.

(b) (1) Except as provided in subdivision (3) of this subsection, the exemption 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 exemption 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.

(2) Any resident of this state who prior to January 1, 1989, received both military retirement or disability pay and other retirement or

disability benefits shall be entitled to claim only one six thousand seven hundred dollars (\$6,700) deduction beginning with tax year 1989.

(3) The provisions of this section shall not apply to retirement or disability benefits received under a plan, system, or fund described in §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."

SECTION 2. Section 26-51-306 of the Arkansas Code of 1987 Annotated is hereby amended to read as follows:

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

(a) (1) 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 seven hundred dollars (\$6,700) of service pay or allowances per income year.

(2) The compensation and benefits are declared exempt, to the extent of the first six thousand seven hundred dollars (\$6,700) thereof per income year, from the state income tax.

(3) All service pay or allowances of members of the armed services of the United States in excess of six thousand seven hundred dollars (\$6,700) per year shall be subject to the state income tax.

(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 26-51-309 is 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 income years beginning on or after January 1, 1989.

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 and disability income in this state; that such inequities have no just or sound basis and are creating an undue burden on some taxpayers within this state; that this act should be given effect immediately to stop these inequities and to limit 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.