

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.

1 State of Arkansas  
2 87th General Assembly  
3 Regular Session, 2009  
4

# A Bill

SENATE BILL 157

5 By: Senator B. Pritchard  
6 By: Representative Stewart  
7  
8

## For An Act To Be Entitled

9 AN ACT TO ALLOW AN INCOME TAX EXEMPTION FOR  
10 MILITARY RETIREMENT BENEFITS; AND FOR OTHER  
11 PURPOSES.  
12  
13

## Subtitle

14 AN ACT TO ALLOW AN INCOME TAX EXEMPTION  
15 FOR MILITARY RETIREMENT BENEFITS.  
16  
17  
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
20

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

22 26-51-307. Retirement or disability benefits.

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

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

32 (B) The only other distributions or withdrawals from an  
33 individual retirement account that qualify for the exemption before the  
34 individual retirement account participant reaches ~~the age of~~ fifty-nine and  
35 one-half (59½) years of age are those distributions or withdrawals made on  
36 account of the individual retirement account participant's death or



1 disability.

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

6 (b)(1)(A) Except as provided in subdivision (b)(2) of this section,  
7 the exemption provided ~~for~~ in subsection (a) of this section for benefits  
8 received from an individual retirement account or from a public or private  
9 employment-related retirement system, plan, or program ~~shall be~~ are the only  
10 exemption from the state income tax allowed for benefits received from an  
11 individual retirement account or from any publicly or privately supported  
12 employment-related retirement system, plan, or program, ~~excepting only~~  
13 ~~benefits received under systems, plans, or programs which are by federal law~~  
14 ~~exempt from the state income tax.~~

15 (B) ~~No taxpayer shall~~ A taxpayer shall not receive an  
16 exemption greater than six thousand dollars (\$6,000) during any tax year  
17 under ~~the provisions of~~ this section.

18 (2) ~~The provisions of~~ This section ~~shall~~ does not apply to:

19 (A) Benefits received under systems, plans, or programs  
20 which are by federal law exempt from the state income tax;

21 (B) ~~retirement~~ Retirement or disability benefits received  
22 under a plan, system, or fund described in § 26-51-404(b)(6) ~~;~~ and

23 (C) United States Government military retirement benefits  
24 defined in § 26-51-312.

25 (c)(1) ~~Section 72 of the Internal Revenue Code of 1986~~ 26 U.S.C. § 72,  
26 as in effect on January 1, 2007, ~~shall provide the~~ is sole method by which a  
27 recipient of benefits from an individual retirement account or from public or  
28 private employment-related retirement systems, plans, or programs may deduct  
29 or recover his or her cost of contribution to the ~~plan~~ individual retirement  
30 account or public or private employment-related system, plan, or program when  
31 computing his or her income for state income tax purposes.

32 (2) A taxpayer ~~shall not be~~ is not allowed to deduct or recover  
33 any portion of the taxpayer's cost of contribution to the ~~plan~~ individual  
34 retirement account or public or private employment-related system, plan, or  
35 program that the taxpayer:

36 (A) Has once 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  
10 SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 3 is amended  
11 to add an additional section to read as follows:

12 26-51-312. Exemption for Military Retirement Income and Pension.

13 (a) As used in this section, "military retirement benefits" means  
14 retired United States military personnel pay or pension for service by a  
15 retired member of the armed forces, a reserve component of the armed forces,  
16 or National Guard.

17 (b) Military retirement benefits received by a taxpayer are exempt  
18 from the income tax under this chapter to the extent that any portion of the  
19 military retirement benefits are otherwise included in federal adjusted gross  
20 income and are not otherwise deducted under this chapter.

21  
22 SECTION 3. Effective Date. This act is effective for tax years  
23 beginning on or after January 1, 2009.