

1 State of Arkansas
2 90th General Assembly
3 Regular Session, 2015

A Bill

SENATE BILL 224

4
5 By: Senator Irvin

For An Act To Be Entitled

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7
8 AN ACT TO PHASE IN AN INCOME TAX EXEMPTION FOR
9 RETIREMENT BENEFITS RECEIVED FOR SERVICE IN THE ARMED
10 FORCES; AND FOR OTHER PURPOSES.

Subtitle

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14 TO PHASE IN AN INCOME TAX EXEMPTION FOR
15 RETIREMENT BENEFITS RECEIVED FOR SERVICE
16 IN THE ARMED FORCES.

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

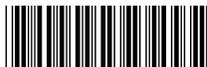
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21 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

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

23 (a)(1) The first six thousand dollars (\$6,000) of benefits received by
24 ~~any~~ a resident of this state from an individual retirement account or the
25 first six thousand dollars (\$6,000) of retirement benefits received by ~~any~~ a
26 resident of this state from public or private employment-related retirement
27 systems, plans, or programs, regardless of the method of funding for these
28 systems, 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 fifty-nine and
31 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 fifty-nine and one-half
35 (59½) years of age are those made on account of the participant's death or
36 disability.



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

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

14 (B) ~~No~~ Except as provided in subsection (e) of this
 15 section, a taxpayer shall not receive an exemption greater than six thousand
 16 dollars (\$6,000) during any tax year under ~~the provisions of~~ this section.

17 (2) ~~The provisions of this~~ This section ~~shall~~ does not apply to
 18 retirement or disability benefits received under a plan, system, or fund
 19 described in § 26-51-404(b)(6).

20 (c)(1) Title 26 U.S.C. § 72, as in effect on January 1, 2009, is the
 21 sole method by which a recipient of benefits from an individual retirement
 22 account or from public or private employment-related retirement systems,
 23 plans, or programs may deduct or recover his or her cost of contribution to
 24 the plan when computing his or her income for state income tax purposes.

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

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

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

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

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

36 (e)(1) The retirement benefits received by a resident of this state

1 from the armed forces are exempt from the income tax imposed by the Income
2 Tax Act of 1929, § 26-51-101 et seq., as follows:

3 (A) For tax year 2015, the first twelve thousand dollars
4 (\$12,000);

5 (B) For tax year 2016, the first twenty thousand dollars
6 (\$20,000);

7 (C) For tax year 2017, the first twenty-eight thousand
8 dollars (\$28,000); and

9 (D) For tax years beginning on and after January 1, 2018,
10 the entire amount of retirement benefits.

11 (2) As used in this subsection, "armed forces" means the United
12 States Air Force, the United States Army, the United States Coast Guard, the
13 United States Marine Corps, the United States Navy, the National Guard of any
14 state, the reserve components of any of the armed forces listed in this
15 subsection, and any other branch of the military and naval forces or
16 auxiliaries of any state or the United States.

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