

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4

A Bill

HOUSE BILL 1003

5 By: Representatives C. Fite, Baltz
6

For An Act To Be Entitled

8 AN ACT TO CREATE AN INCOME TAX EXEMPTION FOR
9 RETIREMENT AND SURVIVOR BENEFITS FROM THE UNIFORMED
10 SERVICES; AND FOR OTHER PURPOSES.
11

Subtitle

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13 TO CREATE AN INCOME TAX EXEMPTION FOR
14 RETIREMENT AND SURVIVOR BENEFITS FROM THE
15 UNIFORMED SERVICES.
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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) of this section and
 6 subsection (e) of this section, the exemption provided for in subsection (a)
 7 of this section for benefits received from an individual retirement account
 8 or from a public or private employment-related retirement system, plan, or
 9 program ~~shall be~~ is the only exemption from the state income tax allowed for
 10 benefits received from an individual retirement account or from any publicly
 11 or privately supported employment-related retirement system, plan, or
 12 program, excepting only benefits received under systems, plans, or programs
 13 which are by 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 following are exempt from the income tax imposed under this

1 chapter:

2 (A) Retirement benefits received by a member of the
 3 uniformed services; and

4 (B) Survivor benefits that are funded by the retirement
 5 pay of a member of the uniformed services.

6 (2) As used in this subsection, "member of the uniformed
 7 services" means a retired member of any of the following:

8 (A) The United States Army, the United States Marine
 9 Corps, the United States Navy, the United States Air Force, or the United
 10 States Coast Guard;

11 (B) A reserve component of any of the armed forces listed
 12 in subdivision (e)(2)(A) of this section;

13 (C) The National Guard of any state;

14 (D) The commissioned regular or reserve corps of the
 15 United States Public Health Service; or

16 (E) The National Oceanic and Atmospheric Administration
 17 Commissioned Officer Corps.

18 (f) A taxpayer claiming an exemption under subsection (e) of this
 19 section is not eligible for an exemption under subsection (a) of this
 20 section.

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 22 SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for tax
 23 years beginning on or after January 1, 2017.