

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4
5 By: Senator A. Clark

A Bill

SENATE BILL 234

For An Act To Be Entitled

8 AN ACT TO CREATE AN INCOME TAX EXEMPTION FOR POLICE
9 AND FIRE RETIREMENT AND SURVIVOR BENEFITS; AND FOR
10 OTHER PURPOSES.

Subtitle

14 TO CREATE AN INCOME TAX EXEMPTION FOR
15 POLICE AND FIRE RETIREMENT AND SURVIVOR
16 BENEFITS.

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

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 police officer or
3 firefighter; and

4 (B) Survivor benefits that are funded by the retirement
5 pay of a police officer or firefighter.

6 (2) As used in this subsection:

7 (A)(i) "Firefighter" means a regular or permanent employee
8 of a fire department of a political subdivision, including without limitation
9 a probationary firefighter.

10 (ii) "Firefighter" does not include a civilian
11 employee of a fire department or a person temporarily employed as a
12 firefighter during an emergency;

13 (B)(i) "Police officer" means:

14 (a) A regular or permanent employee of a
15 police department of a political subdivision, including without limitation a
16 probationary police officer; or

17 (b) A state police officer as defined in § 24-
18 6-201(19).

19 (ii) "Police officer" does not include a civilian
20 employee of a police department or a person temporarily employed as a police
21 officer during an emergency; and

22 (C) "Political subdivision" means:

23 (i) An incorporated town;

24 (ii) A city of the first class;

25 (iii) A city of the second class;

26 (iv) A county;

27 (v) A fire protection district that maintains
28 standards established by the Board of Trustees of the Arkansas Local Police
29 and Fire Retirement System;

30 (vi) A rural fire protection corporation;

31 (vii) A suburban improvement district;

32 (viii) The Arkansas Fire Training Academy; and

33 (ix) The Arkansas Law Enforcement Training Academy.

34 (f) A taxpayer claiming an exemption under subsection (e) of this
35 section is not eligible for an exemption under subsection (a) of this
36 section.

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SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for tax years beginning on and after January 1, 2018.