

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

As Engrossed: S2/21/17

A Bill

SENATE BILL 234

5 By: Senator A. Clark
6

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.
11

Subtitle

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

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

19 (c) An officer of the Arkansas Highway Police
20 Division of the Arkansas State Highway and Transportation Department.

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

24 (C) "Political subdivision" means:

25 (i) An incorporated town;

26 (ii) A city of the first class;

27 (iii) A city of the second class;

28 (iv) A county;

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

32 (vi) A rural fire protection corporation;

33 (vii) A suburban improvement district;

34 (viii) The Arkansas Fire Training Academy; and

35 (ix) The Arkansas Law Enforcement Training Academy.

36 (f) A taxpayer claiming an exemption under subsection (e) of this

1 section is not eligible for an exemption under subsection (a) of this
2 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.

/s/A. Clark