

1 State of Arkansas  
2 92nd General Assembly  
3 Regular Session, 2019

# A Bill

HOUSE BILL 1108

4  
5 By: Representative House  
6

## For An Act To Be Entitled

8 AN ACT TO CREATE AN EXEMPTION FROM THE INCOME TAX FOR  
9 SERVICE PAY AND ALLOWANCES OF FOREIGN SERVICE  
10 PERSONNEL; TO REPEAL OBSOLETE PROVISIONS OF THE  
11 INCOME TAX LAWS RELATING TO COMPENSATION AND BENEFITS  
12 FROM MILITARY SERVICE; AND FOR OTHER PURPOSES.  
13

## Subtitle

14  
15 TO CREATE AN EXEMPTION FROM THE INCOME  
16 TAX FOR SERVICE PAY AND ALLOWANCES OF  
17 FOREIGN SERVICE PERSONNEL; AND TO REPEAL  
18 OBSOLETE PROVISIONS OF THE INCOME TAX  
19 LAWS.  
20  
21  
22

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

24  
25 SECTION 1. DO NOT CODIFY. Legislative findings and intent.

26 (a) The General Assembly finds that:

27 (1) Attracting and maintaining residents who are employed and  
28 plan to retire in the state has a positive economic impact on the state;

29 (2) Foreign service officers and specialists are employed by the  
30 United States Department of State, serve overseas, and often serve in  
31 dangerous areas of the world;

32 (3) Foreign service officers and specialists are required to  
33 select a state to maintain their residency, and most foreign service officers  
34 and specialists choose states that do not have a state income tax or one (1)  
35 of the ten (10) states that, under certain conditions, do not tax income  
36 earned while the taxpayer resides outside of the state for a certain period



1 of time each year; and

2 (4) Arkansans who become foreign service officers and  
 3 specialists have historically chosen a state for residency with a more  
 4 favorable income tax treatment.

5 (b) It is the intent of this act to extend the state income tax  
 6 exemption for military pay to foreign service officers and specialists to  
 7 encourage them to choose or retain Arkansas as:

8 (A) Their state of residency while employed by the United  
 9 States Department of State; and

10 (B) The place they intend to retire.

11  
 12 SECTION 2. Arkansas Code § 26-51-306 is amended to read as follows:

13 26-51-306. Compensation and benefits from military service -  
 14 Definition.

15 ~~(a)(1)(A) For tax years beginning before January 1, 2007, no member of~~  
 16 ~~the armed services of the United States shall be liable for or required to~~  
 17 ~~pay any income tax on the first six thousand dollars (\$6,000) of service pay~~  
 18 ~~or allowances.~~

19 ~~(B)(i) For tax years 2005 and 2006, enlisted personnel of~~  
 20 ~~the armed services of the State of Arkansas or of the United States shall not~~  
 21 ~~be liable for or required to pay any income tax on the first nine thousand~~  
 22 ~~dollars (\$9,000) of service pay or allowances.~~

23 ~~(ii) For tax years 2005 and 2006, an officer or a~~  
 24 ~~warrant officer of the armed services of the State of Arkansas or of the~~  
 25 ~~United States is only entitled to the exemption in subdivision (a)(1)(A) of~~  
 26 ~~this section and is not entitled to the exemption in subdivision (a)(1)(B)(i)~~  
 27 ~~of this section.~~

28 ~~(C) For tax years beginning on and after January 1, 2007,~~  
 29 ~~any member of the armed services of the State of Arkansas or the United~~  
 30 ~~States is not liable for or required to pay any income tax on the first nine~~  
 31 ~~thousand dollars (\$9,000) of service pay or allowance.~~

32 ~~(D)(i) For tax years beginning on or after January 1,~~  
 33 ~~2014, the The service pay or allowance received by an active duty member of~~  
 34 ~~the armed services or foreign service personnel is exempt from the income tax~~  
 35 ~~imposed under this chapter.~~

36 ~~(ii) "Active duty member of the armed services"~~

1 ~~means all members of the armed forces, including the National Guard and~~  
 2 ~~Reserve units.~~

3 ~~(2) The compensation and benefits are declared exempt, to the~~  
 4 ~~extent of the amounts provided in subdivision (a)(1) of this section, from~~  
 5 ~~the state income tax.~~

6 ~~(3) All service pay or allowances of members of the armed~~  
 7 ~~services of the State of Arkansas or the United States in excess of the~~  
 8 ~~amounts provided in subdivision (a)(1) of this section shall be subject to~~  
 9 ~~the state income tax, unless otherwise provided for in this section.~~

10 ~~(4)(A) (2)(A)~~ Title 26 U.S.C. §§ 112 and 692, as in effect on  
 11 January 1, 2007, regarding combat zone compensation of members of the armed  
 12 forces and income taxes of members of the armed forces on death are adopted.

13 (B) The provisions contained in 26 U.S.C. § 112 are in  
 14 addition to all other provisions contained in this section.

15 (b) ~~Nothing in this~~ This section shall does not exempt from taxation  
 16 the income of members of the armed services or foreign service personnel  
 17 derived from ~~other~~ sources other than their service pay and allowances.

18 (c) As used in this section:

19 (1) "Active duty member of the armed services" means all members  
 20 of the armed forces, including the National Guard and reserve units;

21 (2) "armed Armed services" means any and all members of the  
 22 National Guard, reserve components of the armed forces, United States Army,  
 23 Navy, Marine Corps, Coast Guard, Air Force, and any and all other branches of  
 24 the military and naval forces or auxiliaries; and

25 (3) "Foreign service personnel" means a person who:

26 (A) Is employed by the United States Department of State  
 27 in the position of a foreign service officer or foreign service specialist;  
 28 and

29 (B) Resides outside of the state more than one hundred  
 30 eighty (180) days in the calendar year.

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 32 SECTION 3. EFFECTIVE DATE. This act is effective for tax years  
 33 beginning on and after January 1, 2019.