

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

# A Bill

SENATE BILL 782

4  
5 By: Senators Irvin, J. Hendren, Collins-Smith, B. Johnson, Rapert, Rice, E. Williams, J. Woods  
6 By: Representatives C. Fite, C. Armstrong, Ballinger, Baltz, Branscum, Brown, Copeland, Cozart,  
7 Deffenbaugh, D. Douglas, Drown, Harris, K. Hendren, M. Hodges, House, Johnson, Lemons, Lowery,  
8 Lundstrum, G. McGill, D. Meeks, B. Overbey, Ratliff, Richmond, Rushing, Sabin, Scott, B. Smith,  
9 Speaks, Sturch, Tosh, Tucker, Vines, Wallace, D. Whitaker

## For An Act To Be Entitled

10  
11  
12 AN ACT TO PHASE IN AN INCOME TAX EXEMPTION FOR  
13 RETIREMENT AND SURVIVOR BENEFITS FROM THE UNIFORMED  
14 SERVICES; AND FOR OTHER PURPOSES.

## Subtitle

15  
16  
17  
18 TO PHASE IN AN INCOME TAX EXEMPTION FOR  
19 RETIREMENT AND SURVIVOR BENEFITS FROM THE  
20 UNIFORMED SERVICES.

21  
22  
23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

24  
25 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

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

27 (a)(1) The first six thousand dollars (\$6,000) of benefits received by  
28 ~~any~~ a resident of this state from an individual retirement account or the  
29 first six thousand dollars (\$6,000) of retirement benefits received by ~~any~~ a  
30 resident of this state from public or private employment-related retirement  
31 systems, plans, or programs, regardless of the method of funding for these  
32 systems, plans, or programs, ~~shall be~~ is exempt from the state income tax.

33 (2)(A) Only individual retirement account benefits received by  
34 an individual retirement account participant after reaching fifty-nine and  
35 one-half (59½) years of age qualify for the exemption.

36 (B) The only other distributions or withdrawals from an



1 individual retirement account that qualify for the exemption before the  
2 individual retirement account participant reaches fifty-nine and one-half  
3 (59½) years of age are those made on account of the participant’s death or  
4 disability.

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

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

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

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

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

29 (2) A taxpayer shall not be allowed to deduct or recover any  
30 portion of the taxpayer’s cost of contribution to the plan that the taxpayer:

- 31 (A) Has ~~once~~ already deducted or recovered; or
- 32 (B) Would have been allowed to deduct or recover under any  
33 provision of law or court decision.

34 (d)(1) An individual who is sixty-five (65) years of age or older and  
35 who does not claim an exemption under subsection (a) of this section ~~shall be~~  
36 is entitled to an additional state income tax credit of twenty dollars

1 (\$20.00).

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

4 (e)(1) The retirement benefits received by a member of the uniformed  
5 services and the survivor benefits that are funded by the retirement pay of a  
6 member of the uniformed services are exempt from the income tax imposed by  
7 the Income Tax Act of 1929, § 26-51-101 et seq., as follows:

8 (A) For tax year 2015, the first twelve thousand dollars  
9 (\$12,000);

10 (B) For tax year 2016, the first twenty thousand dollars  
11 (\$20,000);

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

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

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

18 (A) The United States Army, the United States Marine  
19 Corps, the United States Navy, the United States Air Force, and the United  
20 States Coast Guard;

21 (B) The reserve components of the armed forces listed in  
22 subdivision (e)(2)(A);

23 (C) The National Guard of any state;

24 (D) The commissioned regular or reserve corps of the  
25 United States Public Health Service; and

26 (E) The commissioned corps of the National Oceanic and  
27 Atmospheric Administration.

28 (f) A taxpayer claiming an exemption under subsection (e) of this  
29 section is not eligible for an exemption under subsection (a) of this  
30 section.

31  
32  
33  
34  
35  
36