

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
90th General Assembly  
Regular Session, 2015

As Engrossed: H3/2/15 H3/6/15  
**A Bill**

HOUSE BILL 1412

By: Representatives C. Fite, C. Armstrong, Baltz, Branscum, Brown, Copeland, Cozart, Deffenbaugh, D. Douglas, Drown, Harris, K. Hendren, House, Johnson, Lemons, Lowery, Lundstrum, G. McGill, D. Meeks, B. Overbey, Ratliff, Richmond, Rushing, Sabin, Scott, B. Smith, Speaks, Sturch, Tosh, Vines, Wallace, D. Whitaker, *Tucker, Ballinger*

By: Senators *Irvin, J. Hendren, Collins-Smith, B. Johnson, Rapert, Rice, E. Williams, J. Woods*

### For An Act To Be Entitled

AN ACT TO *PHASE IN* AN INCOME TAX EXEMPTION FOR  
RETIREMENT AND SURVIVOR BENEFITS FROM THE UNIFORMED  
SERVICES; AND FOR OTHER PURPOSES.

### Subtitle

*TO PHASE IN AN INCOME TAX EXEMPTION FOR  
RETIREMENT AND SURVIVOR BENEFITS FROM THE  
UNIFORMED SERVICES.*

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

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

26-51-307. Retirement or disability benefits.

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

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

(B) The only other distributions or withdrawals from an



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

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

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

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

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

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

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

(A) Has ~~once~~ already deducted or recovered; or

(B) Would have been allowed to deduct or recover under any provision of law or court decision.

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

(\$20.00).

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

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

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

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

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

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

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

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

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

(C) The National Guard of any state;

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

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

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

/s/C. Fite