

State of Arkansas
90th General Assembly
Regular Session, 2015

A Bill

SENATE BILL 224

By: Senator Irvin

For An Act To Be Entitled

AN ACT TO PHASE IN AN INCOME TAX EXEMPTION FOR
RETIREMENT BENEFITS RECEIVED FOR SERVICE IN THE ARMED
FORCES; AND FOR OTHER PURPOSES.

Subtitle

TO PHASE IN AN INCOME TAX EXEMPTION FOR
RETIREMENT BENEFITS RECEIVED FOR SERVICE
IN THE ARMED FORCES.

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~~ that 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 resident of this state

from the armed forces 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, "armed forces" means the United States Air Force, the United States Army, the United States Coast Guard, the United States Marine Corps, the United States Navy, the National Guard of any state, the reserve components of any of the armed forces listed in this subsection, and any other branch of the military and naval forces or auxiliaries of any state or the United States.