

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

State of Arkansas  
91st General Assembly  
Regular Session, 2017

# A Bill

HOUSE BILL 1399

By: Representatives Ballinger, Beck, Bentley, Dotson, C. Douglas, M. Gray, G. Hodges, Jean, Ladyman, Lundstrum, McCollum, D. Meeks, S. Meeks, Miller, Payton, Rye, Sullivan

By: Senator Hester

## For An Act To Be Entitled

AN ACT TO CREATE AN INCOME TAX EXEMPTION FOR INCOME DERIVED FROM MILITARY RETIREMENT BENEFITS AND SURVIVOR BENEFITS; AND FOR OTHER PURPOSES.

## Subtitle

HONOR ARKANSAS VETERANS ACT OF 2017.

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

SECTION 1. DO NOT CODIFY. This act shall be known and may be cited as the "Honor Arkansas Veterans Act of 2017".

SECTION 2. 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) of this section 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 following are exempt from the income tax imposed under this chapter:

(A) Retirement benefits received by a member of the uniformed services from any of the uniformed services identified in subdivision (e)(2) of this section; and

(B) Survivor benefits that are funded by the retirement pay of a member of the uniformed services.

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

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

(B) A reserve component of any of the United States Armed Forces listed in subdivision (e)(2)(A) of this section;

(C) The National Guard of any state;

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

(E) The National Oceanic and Atmospheric Administration Commissioned Officer Corps.

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

SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective for tax years beginning on and after January 1, 2018.