

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

SENATE BILL 13

By: Senator J. English
By: Representative Johnson

For An Act To Be Entitled

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

Subtitle

TO CREATE AN INCOME TAX EXEMPTION FOR
RETIREMENT BENEFITS 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) 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 retired member of the uniformed services; and

(B) Survivor benefits received by the beneficiary of a uniformed services survivor benefit plan.

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

(A) The United States Army, the United States Marine Corps, the United States Navy, the United States Air Force, the United States Coast Guard, the United States Public Health Service Commissioned Corps, or the National Oceanic and Atmospheric Administration Commissioned Officer Corps;

(B) A federal reserve component of any of the uniformed services listed in subdivision (e)(2)(A) of this section; and

(C) The National Guard of any state.

(f) A taxpayer may claim an exemption under subsection (a) of this section and under subsection (e) of this section if the exempted benefits are received from different retirement systems, plans, or programs.

SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for tax years beginning on or after January 1, 2017.