

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

State of Arkansas
91st General Assembly
Regular Session, 2017

As Engrossed: S2/21/17
A Bill

SENATE BILL 234

By: Senator A. Clark

For An Act To Be Entitled

AN ACT TO CREATE AN INCOME TAX EXEMPTION FOR POLICE
AND FIRE RETIREMENT AND SURVIVOR BENEFITS; AND FOR
OTHER PURPOSES.

Subtitle

TO CREATE AN INCOME TAX EXEMPTION FOR
POLICE AND FIRE RETIREMENT AND SURVIVOR
BENEFITS.

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 police officer or firefighter; and

(B) Survivor benefits that are funded by the retirement pay of a police officer or firefighter.

(2) As used in this subsection:

(A)(i) "Firefighter" means a regular or permanent employee of a fire department of a political subdivision, including without limitation a probationary firefighter.

(ii) "Firefighter" does not include a civilian employee of a fire department or a person temporarily employed as a firefighter during an emergency;

(B)(i) "Police officer" means:

(a) A regular or permanent employee of a police department of a political subdivision, including without limitation a probationary police officer;

(b) A state police officer as defined in § 24-6-201(19); or

(c) An officer of the Arkansas Highway Police Division of the Arkansas State Highway and Transportation Department.

(ii) "Police officer" does not include a civilian employee of a police department or a person temporarily employed as a police officer during an emergency; and

(C) "Political subdivision" means:

(i) An incorporated town;

(ii) A city of the first class;

(iii) A city of the second class;

(iv) A county;

(v) A fire protection district that maintains standards established by the Board of Trustees of the Arkansas Local Police and Fire Retirement System;

(vi) A rural fire protection corporation;

(vii) A suburban improvement district;

(viii) The Arkansas Fire Training Academy; and

(ix) The Arkansas Law Enforcement Training Academy.

(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 2. EFFECTIVE DATE. Section 1 of this act is effective for tax years beginning on and after January 1, 2018.

/s/A. Clark