

Title 26. Taxation

Chapter I. Generally, Department of Finance and Administration

Subchapter C. Income Tax Generally

Part 70. Income Tax Exemption Increase for Armed Services Members

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"This rule is adopted under the provisions of Ark. Code Ann. §25-15-204, §26-18-101 et seq. and §26-51-101 et seq. This rule is necessary to properly administer the provisions of Act 2187 of 2005 with regard to the increase in the income tax exemption for enlisted personnel of the armed forces of the State of Arkansas and the United States."

"Issued this 27th day of February, 2006."

Subpart 1. Generally

26 CAR § 70-101. Income tax exemption increase for armed services members.

(a) Beginning with the 2005 tax year, the income tax exemption for the service pay and allowances of enlisted personnel increased from six thousand dollars (\$6,000) to nine thousand dollars (\$9,000).

(b) The income tax exemption for the service pay and allowances of officers did not increase and remains set at six thousand dollars (\$6,000).

(c) A taxpayer who receives both enlisted pay and officer's pay in the same year should prorate each exemption by the number of days the taxpayer received each type of pay divided by the total days of the year the taxpayer received military pay.

Example: Taxpayer received total enlisted pay of six thousand two hundred fifty dollars (\$6,250) from January 1 through March 31, 2005. Taxpayer was promoted to an officer on April 1, 2005, and received officer's pay for the remainder of 2005, totaling twenty-six thousand two hundred fifty dollars (\$26,250).

January 1 – March 31, 2005: Enlisted pay exemption (2005 AR1000, lines 10A or 10B) $90 \text{ days}/365 \text{ days per year} \times \$9,000 = \$2,219$ prorated exemption.

April 1 – December 31, 2005: Officer's pay exemption (2005 AR1000, lines 9A or 9B) $275 \text{ days}/365 \text{ days per year} \times \$6,000 = \$4,521$ prorated exemption.

\$6,250 Enlisted pay
(\$2,219) Prorated exemption
\$4,031 Taxable enlisted pay

\$26,250 Military officer's pay
(\$4,521) Prorated exemption
\$21,729 Taxable military officer's pay

Authority. Arkansas Code § 26-51-104.