

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 88th General Assembly
3 Regular Session, 2011

A Bill

HOUSE BILL 1023

4
5 By: Representative English
6

For An Act To Be Entitled

8 AN ACT TO EXEMPT FROM INCOME TAX A LIMITED AMOUNT OF
9 RETIREMENT BENEFITS RECEIVED FOR SERVICE IN THE ARMED
10 FORCES; AND FOR OTHER PURPOSES.

Subtitle

11
12 TO EXEMPT FROM INCOME TAX A LIMITED AMOUNT
13 OF RETIREMENT BENEFITS RECEIVED FOR SERVICE
14 IN THE ARMED FORCES.
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18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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20 SECTION 1. Arkansas Code § 26-51-307 is amended to read as follows:

21 26-51-307. Retirement or disability benefits.

22 (a)(1) The first six thousand dollars (\$6,000) of benefits received by
23 any resident of this state from an individual retirement account or the first
24 six thousand dollars (\$6,000) of retirement benefits received by any resident
25 of this state from public or private employment-related retirement systems,
26 plans, or programs, regardless of the method of funding for these systems,
27 plans, or programs, ~~shall be~~ is exempt from the state income tax.

28 (2)(A) Only individual retirement account benefits received by
29 an individual retirement account participant after reaching fifty-nine and
30 one-half (59½) years of age qualify for the exemption.

31 (B) The only other distributions or withdrawals from an
32 individual retirement account that qualify for the exemption before the
33 individual retirement account participant reaches fifty-nine and one-half
34 (59½) years of age are those made on account of the participant's death or
35 disability.

36 (C) All other premature distributions or early withdrawals



1 including, ~~but not limited to,~~ without limitation those taken for medical-
 2 related expenses, higher education expenses, or a first-time home purchase do
 3 not qualify for the exemption.

4 (b)(1)(A) Except as provided in subdivision (b)(2) and subsection (e)
 5 of this section, the exemption provided for in subsection (a) of this section
 6 for benefits received from an individual retirement account or from a public
 7 or private employment-related retirement system, plan, or program ~~shall be~~ is
 8 the only exemption from the state income tax allowed for benefits received
 9 from an individual retirement account or from any publicly or privately
 10 supported employment-related retirement system, plan, or program, excepting
 11 only benefits received under systems, plans, or programs which are by federal
 12 law exempt from the state income tax.

13 (B) ~~No~~ Except as provided in subsection (e) of this
 14 section, no taxpayer shall not receive an exemption greater than six thousand
 15 dollars (\$6,000) during any tax year under ~~the provisions of~~ this section.

16 (2) ~~The provisions of this~~ This section shall not apply to
 17 retirement or disability benefits received under a plan, system, or fund
 18 described in § 26-51-404(b)(6).

19 (c)(1) Section 72 of the Internal Revenue Code of 1986, as in effect
 20 on January 1, 2009, is the sole method by which a recipient of benefits from
 21 an individual retirement account or from public or private employment-related
 22 retirement systems, plans, or programs may deduct or recover his or her cost
 23 of contribution to the plan when computing his or her income for state income
 24 tax purposes.

25 (2) A taxpayer shall not be allowed to deduct or recover any
 26 portion of the taxpayer's cost of contribution to the plan that the taxpayer:

27 (A) Has ~~once~~ already deducted or recovered; or

28 (B) Would have been allowed to deduct or recover under any
 29 provision of law or court decision.

30 (d)(1) An individual who is sixty-five (65) years of age or older and
 31 who does not claim an exemption under subsection (a) of this section ~~shall be~~
 32 is entitled to an additional state income tax credit of twenty dollars
 33 (\$20.00).

34 (2) This credit is in addition to all other credits allowed by
 35 law.

36 (e) The retirement benefits received by a resident of this state from

1 the armed forces are exempt from the income tax imposed by the Income Tax Act
 2 of 1929, § 26-51-101 et seq., as follows:

3 (1) For tax year 2011, the first nine thousand dollars (\$9,000);

4 (2) For tax year 2012, the first fourteen thousand dollars
 5 (\$14,000);

6 (3) For tax year 2013, the first nineteen thousand dollars
 7 (\$19,000);

8 (4) For tax year 2014, the first twenty-four thousand dollars
 9 (\$24,000);

10 (5) For tax year 2015, the first twenty-nine thousand dollars
 11 (\$29,000); and

12 (6) For tax years beginning on and after January 1, 2016, the
 13 first thirty-five thousand dollars (\$35,000).

14 (f) As used in subsection (e) of this section, “armed forces” means
 15 the United States Air Force, the United States Army, the United States Coast
 16 Guard, the United States Marine Corps, the United States Navy, the National
 17 Guard of any state, the reserve components of any of the armed forces listed
 18 in this subsection, and any other branch of the military and naval forces or
 19 auxiliaries of any state or the United States.

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

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 24 SECTION 2. Effective date. This act is effective for tax years
 25 beginning on or after January 1, 2011.