

State of Arkansas

77th General Assembly

Regular Session, 1989

A Bill

HOUSE BILL

1932

By: Representative Stewart

For An Act To Be Entitled

"AN ACT TO REPEAL ARKANSAS CODE 26-51-307 AND 26-51-309 AND TO AMEND ARKANSAS CODE 26-51-306 TO PROVIDE A SPECIFIC LIMIT ON THE AMOUNT OF RETIREMENT PAY THAT MAY BE EXEMPTED FROM ARKANSAS INCOME TAX; TO ALLOW RETIREMENT INCOME TO BE TREATED IN THE SAME MANNER AS FOR FEDERAL INCOME TAX PURPOSES; TO AMEND ARKANSAS CODE 26-51-414 WHICH ADOPTS VARIOUS FEDERAL PROVISIONS REGARDING DEFERRED COMPENSATION PLANS; AND FOR OTHER PURPOSES."

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

SECTION 1. Arkansas Code 26-51-307 and 26-51-309 providing for an exemption from Arkansas income tax for a portion of taxpayer's retirement income are hereby repealed.

SECTION 2. Arkansas Code 26-51-306 (a) is hereby amended to read as follows:

"26-51-306. Compensation and benefits from military service.

(a) (1) No member of the armed services of the United States shall be liable for or required to pay any income tax on the first six thousand dollars (\$6,000) of service pay or allowances, nor shall any former member of the armed services of the United States be required to pay any income tax on disability benefits received as a retired service member.

(2) The compensation and benefits are declared exempt, to the extent of the first six thousand dollars (\$6,000) thereof, from the state income tax.

(3) All service pay or allowances and disability benefits of members or former members of the armed services of the United States in excess of six thousand dollars (\$6,000) per year shall be subject to the state income

tax. However, all disability benefits received by disabled veterans of the armed services of the United States, regardless of the amount, shall be exempt from the Arkansas income tax."

SECTION 3. Arkansas Code 26-51-414 is hereby amended to read as follows:

"26-51-414. Deferred compensation plans.

(a) Sections 72, 219, and 401 through 416 inclusive of the federal Internal Revenue Code of 1986, in effect on January 1, 1989, are adopted in computing the income tax liabilities under the provisions of the Arkansas Income Tax Act, § 26-51-101 et seq., for all participants in deferred compensation plans qualifying as such under these provisions, except Arkansas capital gains treatment and Arkansas tax rates shall apply. Any additional tax or penalty imposed by this section shall be ten percent (10%) of the amount of any additional tax or penalty provided in the federal income tax law adopted by this section.

(b) A deduction for a portion of retirement income shall be allowed pursuant to this section beginning with income years beginning on and after January 1, 1989."

SECTION 4. The provisions of this Act shall apply to income years beginning on and after January 1, 1989.

SECTION 5. All provisions of this Act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.