

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013
4

A Bill

HOUSE BILL 2141

5 By: Representative Westerman
6

For An Act To Be Entitled

8 AN ACT TO CREATE A LIMITED EXEMPTION FROM THE INCOME
9 TAX FOR SERVICE PAY AND ALLOWANCES OF FOREIGN SERVICE
10 PERSONNEL; AND FOR OTHER PURPOSES.
11

Subtitle

12 TO CREATE A LIMITED EXEMPTION FROM THE
13 INCOME TAX FOR SERVICE PAY AND ALLOWANCES
14 OF FOREIGN SERVICE PERSONNEL.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. DO NOT CODIFY. Legislative findings and intent.

22 (a) The General Assembly finds that:

23 (1) Attracting and retaining residents who are employed and plan
24 to retire in the state has a positive economic impact on the state;

25 (2) Foreign service officers and specialists are employed by the
26 United States Department of State, serve overseas, and often serve in
27 dangerous areas of the world;

28 (3) Foreign service officers and specialists are required to
29 designate a state in which to maintain their residency, and most foreign
30 service officers and specialists designate states that do not have a state
31 income tax or one (1) of the ten (10) states that, under certain conditions,
32 do not tax income earned while the taxpayer resides outside of the state for
33 a certain period of time each year; and

34 (4) Residents of Arkansas who become foreign service officers
35 and specialists have historically chosen a state for residency with a more
36 favorable income tax treatment.



1 (b) It is the intent of this act to extend the limited state income
 2 tax exemption for military pay to foreign service officers and specialists to
 3 encourage them to choose or retain Arkansas as:

4 (A) Their state of residency while employed by the United
 5 States Department of State; and

6 (B) The place where they intend to retire.

7
 8 SECTION 2. Arkansas Code § 26-51-306 is amended to read as follows:

9 26-51-306. Compensation and benefits from military and foreign
 10 service.

11 ~~(a)(1)(A) For tax years beginning before January 1, 2007, no member of~~
 12 ~~the armed services of the United States shall be liable for or required to~~
 13 ~~pay any income tax on the first six thousand dollars (\$6,000) of service pay~~
 14 ~~or allowances.~~

15 ~~(B)(i) For tax years 2005 and 2006, enlisted personnel of~~
 16 ~~the armed services of the State of Arkansas or of the United States shall not~~
 17 ~~be liable for or required to pay any income tax on the first nine thousand~~
 18 ~~dollars (\$9,000) of service pay or allowances.~~

19 ~~(ii) For tax years 2005 and 2006, an officer or a~~
 20 ~~warrant officer of the armed services of the State of Arkansas or of the~~
 21 ~~United States is only entitled to the exemption in subdivision (a)(1)(A) of~~
 22 ~~this section and is not entitled to the exemption in subdivision (a)(1)(B)(i)~~
 23 ~~of this section.~~

24 ~~(C)~~ (A) For tax years beginning on and after January 1,
 25 2007, ~~any~~ a member of the armed services of the State of Arkansas or the
 26 United States is not liable for or required to pay any income tax on the
 27 first nine thousand dollars (\$9,000) of service pay or allowance.

28 (B) For tax years beginning on and after January 1, 2013,
 29 foreign service personnel are not liable for or required to pay income tax on
 30 the first nine thousand dollars (\$9,000) of service pay or allowances.

31 (2) The compensation and benefits are declared exempt, to the
 32 extent of the amounts provided in subdivision (a)(1) of this section, from
 33 the state income tax.

34 (3) ~~All~~ The service pay or allowances of members of the armed
 35 services of the State of Arkansas or the United States or foreign service
 36 personnel in excess of the amounts provided in subdivision (a)(1) of this

1 section ~~shall be~~ are subject to the state income tax, unless otherwise
 2 provided ~~for~~ in this section.

3 (4)(A) Title 26 U.S.C. §§ 112 and 692, as in effect on January
 4 1, 2007, regarding combat zone compensation of members of the armed forces
 5 and income taxes of members of the armed forces on death are adopted.

6 (B) The provisions contained in 26 U.S.C. § 112 are in
 7 addition to all other provisions contained in this section.

8 (b) ~~Nothing in this section shall~~ This section does not exempt from
 9 taxation the income of members of the armed services or foreign service
 10 personnel derived from ~~other~~ sources other than their service pay and
 11 allowances.

12 (c) As used in this section~~;~~:

13 (1) ~~“armed~~ Armed services” means ~~any and all~~ members of the
 14 National Guard, reserve components of the armed forces, United States Army,
 15 Navy, Marine Corps, Coast Guard, Air Force, and any ~~and all~~ other branches of
 16 the military and naval forces or auxiliaries~~;~~; and

17 (2) “Foreign service personnel” means a person who:

18 (A) Is employed by the United States Department of State
 19 in the position of a foreign service officer or foreign service specialist;
 20 and

21 (B) Resides outside of the state more than one hundred
 22 eighty (180) days in the calendar year.

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