

**EMERGENCY RULE 2006-2: INCOME TAX EXEMPTION  
INCREASE FOR ARMED SERVICES MEMBERS**

This emergency 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.

Beginning with the 2005 tax year, the income tax exemption for the service pay and allowances of enlisted personnel increased from \$6,000 to \$9,000. The income tax exemption for the service pay and allowances of officers did not increase and remains set at \$6,000.

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 \$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 \$26,250.

January 1 – March 31, 2005: Enlisted Pay Exemption (2005 AR1000, lines 10A or 10B)

90 days/365 days per year x **\$9,000** = \$2,219 prorated exemption.

April 1 – December 31, 2005: Officer's Pay Exemption (2005 AR1000, lines 9A or 9B)

275 days/365 days per year x **\$6,000** = \$4,521 prorated exemption.

\$6,250	Enlisted Pay
<b>(\$2,219)</b>	Prorated Exemption
\$4,031	Taxable Enlisted Pay
\$26,250	Military Officer's Pay
<b>(\$4,521)</b>	Prorated Exemption
\$21,729	Taxable Military Officer's Pay

Issued this 27<sup>th</sup> day of February 2006.

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Richard Weiss, Director  
Arkansas Department of Finance and  
Administration

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Tim Leathers, Deputy Director/  
Commissioner of Revenue