

Subject 206

Pensions and Annuities

If you received retirement benefits in the form of pension or annuity payments, the amount you received may be fully taxable, partially taxable, or nontaxable.

If you are retired and receiving retirement benefits from an employer-sponsored pension plan, you are eligible for a \$6,000 retirement income exclusion. Deduct the \$6,000 exclusion from the taxable amount listed on your 1099-R.

However, if you participated in the McFadden v. Weiss or Maples v. Weiss Lawsuits, the amount of cost recovery you can deduct may have changed. If you had zero (0) basis in your retirement after the lawsuit, for Arkansas tax purposes your taxable amount is the same as your gross distribution regardless of what your 1099-R reports. Deduct the \$6,000 exemption from your gross distribution and include this amount on **Line 18A or 18B, Form AR1000F/AR1000NR.**

If your pension was less than \$6,000, you can only use the exclusion to the extent of your pension income. Your spouse receives a separate \$6,000 exclusion if he or she also had income from an employer sponsored pension plan. You cannot claim the \$6,000 exemption and file as low income.

Traditional IRA distributions received after the age of 59½ or because of death or disability also qualify for the \$6,000 exemption.

Military Pension is no longer taxable beginning with tax year 2018, **Line 17A & 17B, Form AR1000F/AR1000NR.**

You cannot qualify for the \$6,000 exemption if:

- You take the Military Pension exemption and also have an employer sponsored pension.
- You check the “65 Special” box on your return.
- You are under 59 ½.