

# Retiree Tax Guide to Arkansas

**The Natural State is another Low-cost, Low-tax retirement destination.** It exempts Social Security benefits from its state income tax and up to \$6,000 of military, civil-service, state- and local-government pensions, private pensions and IRA distributions. All other income is taxed on a sliding scale ranging from 1% to 7%. The statewide sales tax is 6% on non-food items; food is taxed at 2%. Prescription drugs are exempt. Cities and counties can layer their own sales taxes on top of that. Arkansas's real estate taxes are among the lowest in the nation, and assessment is based on 20% of market value. There is no state inheritance tax or estate tax.

## **STATE SALES TAX**

6.0% (prescription drugs exempt). Food is taxed at 2%; city and county sales taxes could add another 6.75%.

## **INCOME-TAX RANGE**

1% – 7%

## **EXEMPTIONS FOR RETIREMENT INCOME**

Social Security is exempt, as are Veterans Administration benefits, Workers' Compensation, Tier I and Tier 2 Railroad Retirement benefits, and unemployment compensation. Up to \$6,000 in military, civil-service, state- and local-government, and private pensions is exempt. The exemption refers to income from public or private retirement systems, plans and programs. IRA distributions can be included as part of the \$6,000 exemption if the taxpayer is 59 1/2 or older. Out-of-state government pensions also qualify for the exemption.

## **PROPERTY TAXES**

Arkansas property taxes are levied by counties, municipalities and school districts. All households are eligible for a refund of up to \$300, regardless of income or age. Political subdivisions collect taxes on real property (house and land) and personal property (motor vehicles, boats and motors, motorcycles, and all-terrain vehicles). Assessment is based on 20% of the true market value. The taxable assessed value of homesteads will not increase more than 5% above the previous taxable assessed value except when new additions or substantial improvements are made to the property. However, the taxable value of the homestead will continue to increase each year until it equals 20% of market value. The taxable assessed value of homesteads of residents 65 or older, or those who are disabled, is capped at the previous year's value unless improvements are made or the property is sold. This is a very important consideration as property taxes generally won't rise for those 65 or older. *A typical Hot Springs Village Home would cost less than 1% of market value in annual property tax.*

## **INHERITANCE AND ESTATE TAXES**

There is no inheritance tax, and there's no longer an estate tax.