

# ARIZONA DEPARTMENT OF REVENUE

## ARIZONA INDIVIDUAL INCOME TAX RULING

### ITR 93-13

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes § 41-1033 for a review of the statement.

(Starting with taxable years beginning from and after December 31, 2018, A.R.S. §43-1022(29) allows a subtraction for up to \$3,500 for benefits, annuities, and pensions received as retired or retiree pay of the uniformed services of the United States.)

#### **ISSUE:**

Is an Arizona resident taxpayer who receives public pension income (i.e., benefits, annuities, or pensions) from a state other than Arizona entitled to subtract up to \$2,500 of those benefits, annuities, or pensions from Arizona gross income on his or her Arizona individual income tax return?

#### **APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) § 43-1001.2 provides that the Arizona gross income of a resident individual is his or her federal adjusted gross income for the taxable year, computed pursuant to the Internal Revenue Code.

A.R.S. § 43-1022.2 allows a subtraction from Arizona gross income of up to \$2,500 for benefits, annuities, or pensions received from the state retirement system, the state retirement plan, the corrections officer retirement plan, the public safety personnel retirement system, the elected official's retirement plan, an optional retirement program established by the Arizona Board of Regents under A.R.S. § 15-1628, or a retirement plan established for employees of a county, city, or town in this state.

#### **DISCUSSION:**

The starting point for the Arizona individual income tax computation for resident individuals is the federal adjusted gross income. This amount is then subject to certain additions and subtractions to arrive at Arizona taxable income. Subtractions in arriving at Arizona taxable income include up to \$2,500 of benefits, annuities, or pensions received from a retirement plan established for Arizona state employees, or a retirement plan established for employees of a county, city, or town in Arizona. This subtraction does not include pension income derived from states other than Arizona. Therefore, in

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computing Arizona taxable income, no amount of public pension income received from states other than Arizona may be subtracted from Arizona gross income.

There are no specific Arizona provisions for pension income derived from states other than Arizona. Therefore, to the extent such income is included in federal adjusted gross income, it will likewise be included in Arizona gross income and be subject to Arizona income tax.

### **RULING:**

An Arizona resident taxpayer who receives public pension income (i.e., benefits, annuities, or pensions) from a state other than Arizona is not entitled to subtract any amount of those benefits, annuities, or pensions from Arizona gross income on his or her Arizona individual income tax return.

Harold Scott, Director

Signed: July 8, 1993

### Explanatory Notice

The purpose of a tax ruling is to provide interpretive guidance to the general public and to department personnel. A tax ruling is intended to encompass issues of law which are not adequately covered in statute, case law or administrative rules. A tax ruling is a position statement which provides interpretation, details or supplementary information concerning the application of the law. **Relevant statute, case law, or administrative rules, as well as a subsequent ruling, may modify or negate any or all of the provisions of any tax ruling.** See GTP 92-1 for more detailed information regarding documents issued by the Department of Revenue.