

State Taxation of Retirement Income 2018

Unless you're one of the fortunate few, you've probably squandered money from time to time throughout your life. But if you're hitting your older years, preserving your savings and your income is paramount. So, if you're thinking of making a move to another state, it makes sense to see how much that state is going to squeeze from your retirement income. Following is a look at how each state taxes your hard-earned retirement income.

Alabama

Social Security: Alabama does not tax Social Security benefits.

Other income: For 2019, the state's income tax rates for individuals range from 2 to 5 percent, according to the nonprofit [Federation of Tax Administrators](#) (FTA). All tax rates mentioned in this article are from the FTA.

In addition to Social Security benefits, retirement benefits from multiple types of federal and state agencies also are exempt from Alabama income taxes, [according to the state](#).

Alaska

The Last Frontier is one of seven states that do not levy any income taxes, according to the FTA.

Arizona

Social Security: Arizona does not tax Social Security income, [according to AARP](#).

Other income: Individual income tax rates range from 2.59 to 4.54 percent.

But up to \$2,500 in pension income from the federal government, the state of Arizona and the state's political subdivisions can be exempt from taxes, [according to the state](#).

Arkansas

Social Security: Arkansas does not tax Social Security income.

Other income: Individual income tax rates range from 0.9 to 6.9 percent.

But up to \$6,000 in income from public and private pensions is exempt from taxes, [Kiplinger reports](#). So is up to \$6,000 in distributions from individual retirement accounts for taxpayers who are 59 ½ or older.

California

Social Security: California does not tax Social Security income.

Other income: Individual income tax rates range from 1 to 12.3 percent. An additional 1 percent is added to the top rate (making it 13.3 percent) for taxpayers whose taxable income exceeds \$1 million.

Colorado

Social Security: Colorado is among 13 states that levy income taxes on Social Security benefits, according to AARP.

Other income: Colorado's individual income tax rate is a flat 4.63 percent.

However, Colorado residents who meet certain qualifications can exclude up to \$20,000 or \$24,000 of their Social Security, pension and annuity income, [according to the state](#). The maximum amount of this exclusion depends on the taxpayer's age.

Connecticut

Social Security: Colorado also taxes Social Security benefits, though many residents' benefits are fully exempt, [according to the state](#). Those residents include taxpayers whose federal filing status is:

- Single or married filing separately — if your federal adjusted gross income (AGI) is less than \$50,000.
- Married filing jointly, qualifying widow(er) or head of household — if your federal AGI is less than \$60,000.

Other income: Individual income tax rates range from 3 to 6.99 percent.

Military pensions are excluded from state income taxes, however, [according to Kiplinger](#).

Delaware

Social Security: Delaware does not tax Social Security benefits.

Other income: Individual income tax rates range from zero to 6.6 percent.

Retirees are eligible for a "pension exclusion," however, [according to the state](#). The amount of the exclusion can be as high as \$12,500 for folks age 60 and older but drops to \$2,000 for those under 60.

Florida

Like Alaska, the Sunshine State does not impose taxes on Social Security benefits or other income. Perhaps it should come as no surprise that Florida's tax-friendliness helped propel it to the No. 1 spot on WalletHub's ranking of [the best states for retirees in 2019](#).

Georgia

Social Security: Georgia does not tax Social Security income.

Other income: Individual income tax rates range from 1 to 5.75 percent.

Still, Kiplinger considers Georgia one of the most tax-friendly states for retirees, [explaining](#):

“Social Security income is exempt, and so is up to \$35,000 of most types of retirement income for those age 62 to 64. For those 65 and older, the exemption is \$65,000 per taxpayer.”

Hawaii

Social Security: Hawaii does not tax Social Security benefits.

Other income: Individual income tax rates range from 1.4 to 11 percent.

But multiple types of pensions are exempt from state income taxes, [Kiplinger reports](#).

Idaho

Social Security: Idaho does not tax Social Security income.

Other income: Individual income tax rates range from 1.125 to 6.925 percent.

However, tax deductions — including a retirement-benefits tax deduction — are available to certain older Idaho residents, [says the state](#).

Illinois

Social Security: Illinois does not tax Social Security income.

Other income: The state’s individual income tax rate is a flat 4.95 percent.

Various types of retirement income are exempt from state taxation, however, [according to the state](#).

In addition to Social Security benefits, they can include retirement income from:

- Qualified employee benefit plans.
- Individual retirement accounts (IRAs) or self-employed retirement plans.
- Government retirement and government disability plans and group term life insurance premiums paid by a qualified retirement plan.
- State or local government deferred compensation plans.
- Certain capital gains on employer securities.

Indiana

Social Security: Indiana does not tax Social Security income.

Other income: The individual income tax rate is a flat 3.23 percent.

However, a portion of military pensions may be excluded, depending on the taxpayer’s age, [according to Kiplinger](#). And some income from a federal civil-service annuity may be deducted from adjusted gross income.

Iowa

Social Security: Iowa does not tax Social Security income.

Other income: Individual income tax rates range from 0.33 to 8.53 percent.

Military benefits are exempt, and multiple other types of retirement income qualify for exclusion from taxable income, however. [Kiplinger reports](#) that taxpayers who are 55 or older or disabled can exclude as much as \$6,000 if single or \$12,000 if married.

Kansas

Social Security: Kansas taxes Social Security benefits, but benefits are generally exempt for taxpayers whose federal adjusted gross income is \$75,000 or less, [according to the state](#).

Other income: Individual income tax rates range from 3.1 to 5.7 percent.

However, income from military pensions, federal civil-service annuities and various state pensions is exempt from state taxation.

Kentucky

Social Security: Kentucky does not tax Social Security income.

Other income: The individual income tax rate is a flat 5 percent.

Kentucky offers an exclusion for the first \$31,110 of retirement income, though, [according to Kiplinger](#).

Louisiana

Social Security: Louisiana does not tax Social Security income.

Other income: Individual income tax rates range from 2 to 6 percent.

Seniors are eligible for a retirement-income exclusion, however. Louisiana's Department of Revenue [explains](#):

“Persons 65 years or older may exclude up to \$6,000 of annual retirement income from their taxable income. Taxpayers that are married filing jointly and are both age 65 or older can each exclude up to \$6,000 of annual retirement income. If only one spouse has retirement income, the exclusion is limited to \$6,000.”

Additionally, benefits from [a lengthy list](#) of retirement systems may be excluded from state income.

Maine

Social Security: Maine does not tax Social Security income.

Other income: Individual income tax rates range from 5.8 to 7.15 percent.

Maine offers a pension benefits income deduction, however.

It can apply to as much as \$20,000 in retirement income from pension benefits as well as retirement plan benefits of certain types, [according to the state](#). However, that amount is reduced by income received through Social Security.

Additionally, military retirement plan benefits are fully exempt from state income taxes.

Maryland

Social Security: Maryland does not tax Social Security income.

Other income: Individual income tax rates range from 2 to 5.75 percent.

Residents who are 65 or older or totally disabled may be eligible for a pension exclusion of up to \$30,600, however, according to the [state comptroller](#).

Additionally, residents who are 65 or older and receive [military retirement benefits](#) may be able to subtract up to \$15,000 of those benefits from their federal adjusted gross income before determining their Maryland tax rate.

Massachusetts

Social Security: Massachusetts does not tax Social Security benefits.

Other income: The individual income tax rate is a flat 5.05 percent.

But, [according to Kiplinger](#), civil-service, Massachusetts state and local government pensions and certain out-of-state pensions are exempt.

Michigan

Social Security: Michigan does not tax Social Security income.

Other income: The individual income tax rate is a flat 4.25 percent.

If you were born before 1946, however, the vast majority of your retirement income is exempt, according to Kiplinger. Michigan gives less leeway to taxpayers born in 1946 or later, particularly those born after 1952, [as Kiplinger details](#).

Minnesota

Social Security: Minnesota taxes Social Security benefits, though some taxpayers may be able to exclude all or part of their benefits. See the Minnesota [Department of Revenue's website](#) for specifics.

Other income: Individual income tax rates range from 5.35 to 9.85 percent.

Taxpayers who are 65 or older or disabled may be eligible for a subtraction that lowers the amount of their income that is taxed in Minnesota, however. Eligibility for the subtraction depends in part on income, as [detailed by the State Department of Revenue](#).

Additionally, military retirement pay is exempt for qualifying taxpayers, [according to the state](#).

Mississippi

Social Security: Mississippi does not tax Social Security income.

Other income: Individual income tax rates range from 3 to 5 percent.

[Kiplinger considers](#) Mississippi one of the most tax-friendly states for retirees, however, since most types of retirement income are exempt from state income taxes. That includes public and private pensions and distributions from individual and employer-sponsored retirement plans.

Missouri

Social Security: Missouri taxes Social Security benefits but offers a Social Security deduction to taxpayers who are 62 or older or disabled, [according to the state](#). To be eligible for this deduction, your Missouri adjusted gross income (AGI) must be under a certain amount.

Other income: Individual income tax rates range from 1.5 to 5.4 percent.

But other deductions or exemptions may also apply to certain other types of retirement income, with the specifics generally depending on AGI and tax-filing status, [according to Kiplinger](#).

Montana

Social Security: Montana taxes Social Security benefits.

Other income: Individual income tax rates range from 1 to 6.9 percent.

Income taxes apply to “all pension, annuities, and retirement income if it is taxable on the federal return,” states the Montana [Department of Revenue](#). But retirees may qualify for a partial exemption, deduction or exclusion.

Nebraska

Social Security: Nebraska also taxes Social Security benefits.

Other income: Individual income tax rates range from 2.46 to 6.84 percent.

An [exclusion for military retirement pay](#) is available to certain retirees, though, according to the state. Nebraska Gov. Pete Ricketts also [recently announced](#) that he plans to expand this tax break.

Nevada

The Silver State is another of the seven U.S. states with no state income taxes.

New Hampshire

Social Security: New Hampshire does not tax Social Security income.

Other income: New Hampshire levies a state income tax that applies only to dividends and interest, according to the FTA. That tax rate is 5 percent.

New Jersey

Social Security: New Jersey does not tax Social Security income.

Other income: Individual income tax rates range from 1.4 to 10.75 percent.

However, the state offers multiple retirement income exclusions that may reduce the taxable income of qualifying taxpayers, according to the New Jersey Department of the Treasury.

Among those who may be eligible for New Jersey’s pension exclusion or its other retirement income exclusion are taxpayers who are 62 or older and have a total income of \$100,000 or less. For details on these exclusions, [visit the state treasury’s website](#).

New Mexico

Social Security: New Mexico taxes Social Security benefits.

Other income: Individual income tax rates range from 1.7 to 4.9 percent. However, taxpayers who are 65 or older may be eligible for a tax deduction of up to \$8,000, depending on their income, [according to the state](#). And here's an interesting exception: New Mexico residents who live to age 100 or beyond and are not claimed as a dependent by another taxpayer are exempt from filing and paying state income taxes, according to the state.

New York

Social Security: New York does not tax Social Security income.

Other income: Individual income tax rates range from 4 to 8.82 percent. However, pensions paid by the federal government, New York state or local governments and certain public authorities are exempt from state income taxes, [according to the state](#). For taxable retirement income, residents who are or reach age 59 ½ or older during the tax year may qualify for New York's pension and annuity exclusion of up to \$20,000.

North Carolina

Social Security: North Carolina does not tax Social Security income.

Other income: The individual income tax rate is a flat 5.25 percent.

North Dakota

Social Security: North Dakota taxes Social Security benefits.

Other income: The individual income tax rates range from 1.1 to 2.9 percent.

Ohio

Social Security: Ohio does not tax Social Security income.

Other income: Individual income tax rates range from zero to 4.997 percent. But the state offers a retirement and pension income tax credit worth up to \$200 and a senior citizen tax credit worth \$50 to eligible taxpayers, [according to the state](#). Additionally, interest and dividends from obligations issued by the federal government — such as U.S. savings bonds or Treasury notes or bills — are exempt from state income tax.

Oklahoma

Social Security: Oklahoma does not tax Social Security income.

Other income: Individual income tax rates range from 0.5 to 5 percent. But [Kiplinger reports](#) that Oklahoma allows for an exclusion of up to \$10,000 in qualified private pension income.

Oregon

Social Security: Oregon does not tax Social Security income.

Other income: Individual income tax rates range from 5 to 9.9 percent.

However, Oregon allows qualifying taxpayers to claim either a retirement-income credit or an elderly-or-disabled credit, [according to Kiplinger](#).

Pennsylvania

Social Security: Pennsylvania does not tax Social Security income.

Other income: The individual income tax rate is a flat 3.07 percent.

Retirees need not sweat that rate, however. [Kiplinger describes](#) Pennsylvania as “one of the most generous states in the nation when it comes to offering income tax exclusions on a wide variety of retirement income.”

Retirement income is not taxed by the state after age 59 ½ if the taxpayer has reached retirement, based on years of service or age.

Rhode Island

Social Security: Rhode Island is among the states that tax Social Security benefits, although a tax break is available for eligible taxpayers who receive benefits, [according to the state](#).

Other income: Individual income tax rates range from 3.75 to 5.99 percent.

But the state allows for a tax break from the following types of retirement income:

- Private pensions
- Government pensions
- 401(k) plans
- 403(b) plans
- Military retirement pay
- Annuities
- Certain other sources

Under this tax break, eligible residents can deduct up to \$15,000, according to the state. Eligibility depends in part on whether your income falls below a certain threshold, which Rhode Island adjusts annually for inflation.

South Carolina

Social Security: South Carolina does not tax Social Security income.

Other income: Individual income tax rates range from zero to 7 percent.

However, the state allows for a retirement income deduction. South Carolina’s [Department of Revenue](#) explains:

“A taxpayer receiving retirement income may deduct up to \$3,000 of qualifying retirement income annually until reaching age 65, and deduct up to \$10,000 of such retirement income annually at age 65 and thereafter. ... Further, if both spouses receive retirement income, each spouse is entitled to a retirement income deduction.”

South Dakota

The Mount Rushmore State does not have state income taxes. That's part of why Bankrate named it the best state for retirees, as we reported in "[All 50 States Ranked from Worst to Best for Retirement](#)" last year.

Tennessee

Social Security: Tennessee does not tax Social Security income.

Other income: Tennessee levies a state income tax that applies only to dividends and interest. The rate for this tax, known as the Hall income tax, used to be 4 percent, but Tennessee is in the process of phasing it out.

[According to the state](#), the rate for the Hall income tax is:

- 3 percent for tax year 2018 — meaning the return that is due April 15
- 2 percent for tax year 2019
- 1 percent for tax year 2020

The repeal starts with tax year 2021.

Texas

The Lone Star State does not have state income taxes.

Utah

Social Security: Utah taxes Social Security benefits.

Other income: The individual income tax rate is a flat 4.95 percent.

However, Utah offers a retirement credit of up to \$450 for taxpayers born on or before Dec. 31, 1952, [according to the state](#).

Vermont

Social Security: Vermont taxes Social Security benefits, but under a state law enacted in 2018, the state allows for an income tax exemption for beneficiaries whose income is below a certain amount, [according to the state](#).

Other income: Individual state income tax rates range from 3.35 to 8.75 percent.

Virginia

Social Security: Virginia does not tax Social Security benefits.

Other income: Individual income tax rates range from 2 to 5.75 percent.

But taxpayers born on or before Jan. 1, 1954, may qualify for what Virginia calls an "age deduction," [according to the state](#). The deduction is worth up to \$12,000 per person.

Washington

The Evergreen State does not have state income taxes.

West Virginia

Social Security: West Virginia taxes Social Security benefits to the extent that the income can be included in your federal adjusted gross income, [according to the state](#).

Other income: Individual income tax rates range from 3 to 6.5 percent.

However, taxpayers who are age 65 or older during any part of the tax year, or who are disabled, are eligible to deduct up to \$8,000 of income from any source, the state says. For joint returns, this deduction is worth up to \$8,000 for each eligible spouse.

Wisconsin

Social Security: Wisconsin does not tax Social Security benefits.

Other income: Individual income tax rates range from 4 to 7.65 percent.

Wisconsin allows for the exclusion of up to \$5,000 of certain retirement income, however. It's available to taxpayers who were 65 or older on Dec. 31, 2018, and who have a federal adjusted gross income below a certain amount, [according to the state](#).

Wyoming

The Equality State does not have state income taxes.

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