

INCOME TAXATION OF RETIREMENT INCOME

- I. **10 STATES ALLOW A FULL EXCLUSION¹ OF PUBLIC-SECTOR RETIREMENT INCOME.** Of these 10 states:
- a. 2 states (Kansas and Massachusetts) do not allow any exclusion of private-sector retirement income.
 - b. 1 state (Pennsylvania) allows a full exclusion of private-sector retirement income.
 - c. 4 states allow a full exclusion for *certain types of private-sector retirement plans*.
 - Alabama allows exclusion of income from defined benefit plans.
 - Hawaii allows exclusion of income from contributory plans.
 - Illinois and Mississippi allow exclusions of income from “qualified” retirement plans.
 - d. 3 states cap the exclusion of private-sector income.
 - Michigan caps the exclusion at the first \$40,020 of retirement income.
 - New York caps the exclusion at the first \$20,000 of retirement income.
 - **Louisiana caps the exclusion at the first \$6,000 of retirement income.**
- II. **6 STATES ALLOW A PARTIAL EXCLUSION OF PUBLIC-SECTOR RETIREMENT INCOME.**
- a. Of these 6 states, 4 states treat retirement income derived from private industry identically.
 - Kentucky allows exclusion of up to \$41,110 of public-sector or private-sector retirement income per taxpayer. (However, public-sector retirement benefits earned before January 1, 1998, have been grandfathered in to the full exclusion allowed by prior Kentucky law.)
 - Maine allows exclusion of up to \$10,000 of public-sector retirement income per taxpayer, less Social Security Income or Railroad Retirement. With the exception of IRAs and SIMPLE IRAs, Maine also allows exclusion of \$10,000 of private sector income per taxpayer, less Social Security Income or Railroad Retirement.
 - Montana allows exclusion of up to \$3,980 of public-sector and private-sector retirement income for single filers and up to \$7,960 for joint filers who both have retirement income.
 - Oklahoma allows exclusion of up to \$10,000 of public-sector or private-sector retirement income per individual taxpayer.
 - b. The remaining 2 states treat private retirement income as follows:
 - Arizona allows an exclusion of up to \$2,500 of public-sector retirement income from an retirement plan based in Arizona. The state does not allow exclusion of private-sector retirement income.
 - Arkansas allows exclusion of public-sector retirement income of up to \$6,000 per taxpayer. The state allows an exclusion of private-sector retirement income *from qualified traditional IRAs* at the same allowance of up to \$6,000 per taxpayer.
- III. **14 STATES AND THE DISTRICT OF COLOMBIA PROVIDE AN AGE-BASED EXCLUSION OR AN AGE-BASED EXEMPTION FOR PUBLIC-SECTOR RETIREMENT INCOME.**
- a. Of these states, 11 states treat public and private-sector retirement income identically.
 - Colorado allows exclusion of up to \$24,000 of public-sector or private-sector retirement income for taxpayers over age 65 or an exclusion of up to \$20,000 of public-sector or private-sector retirement income for taxpayers aged 55-65.

¹ 5 of these states, including Louisiana, only allow exclusion for retirement income earned within the state or from a state with a reciprocal agreement to not tax the retirement income from that state. Louisiana treats out-of-state public-sector retirement income identically to private-sector retirement income, regardless of whether the other state taxes Louisiana retirement income.

- Delaware allows exclusion of up to \$12,500 of public-sector or private-sector retirement income for taxpayers aged 60 or over; or, an exclusion of up to \$2,000 for taxpayers under age 60. Married taxpayers must individually qualify.
 - Georgia allows exclusion of up to \$35,000 of public-sector or private-sector retirement income per taxpayer to taxpayers aged 62-64 or over. The exclusion is limited to \$4,000 of earned income.
 - Iowa allows exclusion of up to \$6,000 of public-sector or private-sector retirement income per taxpayer aged 55 or over.
 - Maryland allows taxpayers aged 65 and over an *exemption* of \$29,000 per taxpayer. With the exception of Social Security Income, Railroad Retirement, and IRA plans, this exemption may be applied to either public-sector or private-sector retirement income.
 - Minnesota provides an income-based *exemption* of up to \$9,000 for single filers aged 65 or over and up to \$18,000 for joint filers when both spouses are aged 65 or over.
 - New Jersey allows a Pension Exclusion of up to \$20,000 for joint filers aged 62 or over and up to \$15,000 for single filers to exclude income gained from pensions, IRAs withdrawals, and annuities. This exclusion is subject to an income ceiling of \$100,000: a taxpayers' gross income for the taxable year before subtracting the pension exclusion may not exceed \$100,000. The state provides an additional exclusion to taxpayers aged 62 or over, which allows them to use any unclaimed portion of the Pension Exclusion to exclude income gained from interests or dividends (subject to the capped amount of the Pension Exclusion).
 - New Mexico provides an income-based *exemption* for taxpayers aged 65 or over. The exemption is capped at \$2,500 and is completely phased out at \$36,667 of AGI for single filers and \$55,000 for joint filers.
 - Oregon provides a 9% *credit* for public-sector and private-sector retirement income, subject to income limits. Additionally, taxpayers aged 65 or older may be eligible to receive an additional standard deduction of up to \$1,200.
 - South Carolina allows exclusion of up to \$3,000 of public-sector and private-sector retirement income for taxpayers under age 65 or exclusion of up to \$10,000 of public-sector and private-sector retirement income for taxpayers over age 65. Taxpayers over age 65 are also entitled to an *income exemption* of up to \$15,000 per individual taxpayer, less the amount of the retirement exclusion claimed.
 - Virginia provides individual taxpayers aged 75 or older a *deduction* of up to \$12,000, and provides taxpayers aged 65-74 a deduction that is reduced and phased-out at higher income levels. The deduction is reduced by \$1 for every \$1 that the single taxpayer's adjusted gross income exceeds \$50,000 (\$75,000 for married taxpayers filing jointly).
 - Wisconsin allows exclusion of up to \$5,000 for taxpayers aged 65 or over with an adjusted gross income of less than \$15,000 per single filer or \$30,000 per joint filer.
- b. The remaining 2 states and the District of Colombia treat private retirement income as follows:
- The District of Colombia allows exclusion of up to \$3,000 of public-sector retirement income for D.C. residents aged 62 or over. D.C. does not allow exclusion of private-sector retirement income.
 - Idaho allows exclusion of up to \$31,704 of public-sector retirement income to taxpayers aged 65 or older or, if disabled, aged 62 or over. This exclusion applies to Idaho pensions only. Idaho does not allow exclusion of private-sector retirement income.

- Missouri allows exclusion of up to 100% of public-sector retirement income; the exclusion is subject to a cap of \$36,442 per spouse. For private-sector retirement income: Missouri allows an income-based exclusion of up to \$6,000.

IV. 10 STATES DO NOT ALLOW AN EXCLUSION OF RETIREMENT INCOME

- a. Of these 10 states, 4 states provide a tax credit of \$1500 or less to retirees at certain age and income levels:
- California provides a tax credit of \$99 to taxpayers at least 65 years of age
 - Indiana provides an exemption of up to \$1,000 to taxpayers at least 65 years of age; provides for additional income-based credit of up to \$500
 - Ohio provides an income-based credit of up to \$200 and a senior citizen tax credit of up to \$50 per tax return.
 - Utah provides an income-based non-refundable tax credit of \$450 to taxpayers 65 years and older.
- b. The following states do levy a state income tax and do not allow exclusion of retirement income or provide exemptions or credits to retirees:
- Connecticut
 - Nebraska
 - North Carolina
 - North Dakota
 - Rhode Island
 - Vermont

V. 7 STATES DO NOT LEVY AN INDIVIDUAL INCOME TAX.

- Alaska
- Florida
- Nevada
- South Dakota
- Texas
- Washington
- Wyoming

VI. 2 STATES ONLY LEVY AN INCOME TAX ON INCOME EARNED FROM DIVIDENDS AND INTEREST.

- New Hampshire
- Tennessee

VII. FOCUS ON OTHER SOUTHERN STATES' TREATMENT OF RETIREMENT INCOME:

- Mississippi fully exempts both public-sector retirement income and "qualified" private-sector retirement income.
- Texas does not levy personal income tax.
- Florida does not levy personal income tax.
- Tennessee only levies an individual income tax on income derived from dividends and interest.
- South Carolina allows an age-based exclusion on a limited amount of retirement income, and treats public-sector and private-sector income identically.
- North Carolina, with the exception of Social Security Income, does not allow exclusions of retirement income.

VIII. Social Security Income (SSI)

- 28 states, including Louisiana, allow a full exclusion of Social Security Income:

Alabama	Arizona	Arkansas	California
Delaware	D.C.	Georgia	Hawaii
Idaho	Illinois	Indiana	Iowa
Kentucky	Louisiana	Maine	Maryland
Massachusetts	Michigan	Mississippi	New York
North Carolina	Ohio	Oklahoma	Oregon
Pennsylvania	South Carolina	Virginia	West Virginia
Wisconsin			

b. Of the 12 remaining states that levy an income tax on earned income:

- 6 states tax Social Security Income to the extent that it is taxed at the federal level:
 - Maryland
 - Minnesota
 - Nebraska
 - Rhode Island
 - West Virginia
 - Wisconsin
- 4 states allow income-based exclusion or exemption of SSI:
 - Connecticut provides a full exemption of SSI if adjusted gross income is below \$50,000 for single filers or below \$60,000 for joint filers.
 - Kansas allows a full exclusion of SSI for taxpayers whose adjusted gross income is below \$75,000.
 - Missouri allows a full deduction of SSI for single filers whose adjusted gross income is below \$85,000 and to joint filers whose adjusted gross income is below \$100,000. Taxpayers whose income exceeds the aforementioned amounts must subtract \$1 of the deduction per every \$1 that income exceeds the income ceiling.
 - Montana deems SSI taxable when taxpayers' income, including SSI, exceeds \$25,000 per single filer or \$32,000 per joint filer.
- Colorado provides an age-based exclusion of SSI: taxpayers aged 55-64 may exclude up to \$20,000 of SSI. Taxpayers aged 65 and older may exclude up to \$24,000 of SSI.
- New Mexico does not allow exclusion of SSI.