

State Individual Income Tax Rates for Retirement Income as of January 31, 2015

Presented by Paul Levin, CFP®, ChFC®, RICP®

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Alabama	2.0	5.0	\$500	\$3,000	Social security, as well as military, civil service, state/local government, and qualified private pensions, is exempt. All out-of-state government defined benefit plan pensions are also exempt.
Alaska	No individual income tax				
Arizona	2.59	4.54	\$10,000	\$150,001	Social security and railroad retirement benefits are exempt. Up to \$2,500 in military, civil service, and Arizona state/local government pensions is exempt. All out-of-state government pensions are fully taxed.
Arkansas	1.0	7.0	\$4,099	\$33,999	Social security, VA benefits, worker's compensation, Tier 1 and Tier 2 railroad retirement benefits, and unemployment compensation are exempt. Up to \$6,000 in military, civil service, state/local government, and private pensions is exempt. The exemption refers to income from public or private retirement systems, plans, or programs. IRA distributions can be included in the \$6,000 exemption if the taxpayer is age 59½ and older. Out-of-state government pensions also qualify for the exemption. Up to \$6,000 of federal retirement military pay and/or survivor benefits is excluded.
California	1.0	13.3	\$7,455	\$1,000,000	Social security and railroad retirement benefits are exempt. There is a 2.5% tax on early distributions and qualified pensions. All private, local, state, and federal pensions are fully taxed.

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Colorado	4.63% of federal taxable income				Colorado has a pension/annuity subtraction based on the age of the recipient that is not taxed. Taxpayers ages 55–64 can exclude a total of \$20,000/\$24,000 for social security and qualified retirement income for pensions and annuities respectively; taxpayers ages 65 and older can exclude up to \$24,000. All out-of-state government pensions qualify for the pension exemption. The total exclusion may not be more than indicated from all exempt sources. Social security and railroad retirement income not taxed by the federal government is not added back to adjusted gross income (AGI) for state income tax purposes.
Connecticut	3.0	6.7	\$10,000	\$250,001	Social security is exempt for individual taxpayers with federal AGI of less than \$50,000 and for married filing jointly taxpayers with federal AGI below \$60,000. All out-of-state government and federal civil service pensions are fully taxed.
Delaware	2.2	6.6	\$5,000	\$60,000	Social security and railroad retirement benefits are exempt. Taxpayers ages 60 and older can exclude \$12,500 of investment and qualified pension income. They may qualify for an additional tax credit of \$110. Out-of-state government pensions qualify for the pension and retirement exemption. For taxpayers under age 60, \$2,000 is exempt. Taxpayers ages 65 and older on December 31 are eligible for an additional standard deduction of \$2,500 (if they do not itemize).
Florida	No individual income tax				

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Georgia	1.0	6.0	\$750	\$7,000	Social security and railroad benefits are exempt. Taxpayers who are ages 62 and older or permanently and totally disabled may be eligible for a retirement income adjustment on their Georgia tax return. Retirement income includes pensions, annuities, interest income, dividend income, net income from rental property, capital gains income, and income from royalties. The retirement income exclusion is \$35,000 for residents ages 62–64. For residents ages 65 and older, the exclusion is \$65,000.
Hawaii	1.4	11.0	\$2,400	\$300,000	Social security and Tier 1 railroad retirement benefits, as well as military, federal, state/local, and some private pensions, are exempt. All out-of-state government pensions are exempt. Also, employer-funded pension plans are exempt. Distributions from private employer pension plans received upon retirement are partially taxed by the state if the employee contributed to the pension plan.
Idaho	1.6	7.4	\$1,429	\$21,436	Social security, railroad retirement board, and Canadian social security benefits (OAS or CPP) are exempt. Generally, all other income received by an Idaho resident is subject to Idaho income tax. Idaho does offer a retirement benefits deduction for taxpayers ages 65 and older or those who are disabled and ages 62 and older who receive “qualifying retirement benefits.” Persons using the married filing separately filing status are not eligible for this benefit.

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Illinois	3.75% of federal AGI				Income from qualified employee plans, including 401(k), IRA, Roth conversion, and self-employee retirement plans; state and local government deferred compensation plans; government retirement and government disability plans, including military plans; and railroad retirement is exempt. Income from the redemption of U.S. retirement bonds, a lump-sum distribution of appreciated employer securities, and the federally taxed portion of social security benefits are also exempt.
Indiana	3.3% of federal AGI; counties also have the authority to levy a local income tax instead of raising property taxes.				Social security and railroad retirement benefits are exempt. Taxpayers ages 60 and older may exclude as much as \$5,000 from military pensions. Taxpayers ages 62 and older may deduct from their AGI \$2,000 from a federal civil service annuity. Out-of-state pensions are fully taxed.
Iowa	0.36	8.98	\$1,515	\$68,175	Individual taxpayers may exclude up to \$6,000 (up to \$12,000 for married filing jointly taxpayers) for the portion of retirement income taxable on the federal return. Sources include pensions, annuities, self-employed retirement plans, deferred compensation, and IRA benefits. In calculating the taxable amount of social security, individual taxpayers can exclude \$25,000 (\$32,000 for married filing jointly taxpayers) under certain circumstances. Out-of-state government pensions qualify for exemptions.
Kansas	2.7	4.6	\$15,000	\$30,000	Military, civil service, and state/local government pensions, as well as railroad retirement benefits, are exempt. Out-of-state government pensions are fully taxed. Social security (including SSI) is exempt for residents with a federal AGI

					under \$75,000, to the extent benefits are subject to federal income tax.
State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Kentucky	2.0	6.0	\$3,000	\$75,000	Social security and railroad retirement benefits are exempt. Kentucky offers a retirement income exclusion of up to \$41,110, which includes distributions from IRAs and 401(k)s, as well as private pensions and annuities. There is an additional exclusion for qualified military, civil service, and state/local government pensions.
Louisiana	2.0	6.0	\$12,500	\$50,000	Individual taxpayers ages 65 and older may exclude up to \$6,000 of annual retirement income from their taxable income. Married filing jointly taxpayers who are both age 65 or older can <i>each</i> exclude up to \$6,000 of annual retirement income. If only one spouse has retirement income, the exclusion is limited to \$6,000. Certain retirement benefits may be excluded. Please see list in Louisiana filing instructions.
Maine	6.5	7.95	\$5,200	\$20,900	Individuals may now deduct up to \$10,000 of eligible pension income that is included in federal AGI. Except for military pension benefits, the \$10,000 deduction must be reduced by any social security and railroad retirement benefits received, whether taxable or not. The subtraction modification is expanded to include all federally taxable pension income, annuity income, and IRA distributions, except pick-up contributions for which a deduction has been allowed.

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Maryland	2.0	5.75	\$1,000	\$250,000	Social security and railroad retirement income are not taxed. Taxpayers ages 65 and older, as well as those who are, or whose spouses are, totally disabled, may qualify for Maryland's maximum pension exclusion of \$27,800, under certain conditions. Federal income received as a pension, annuity, or endowment from an employee retirement system; traditional IRAs; Roth IRAs; SEPs; Keogh plans; and ineligible deferred compensation plans do not qualify.
Massachusetts	5.25% of federal AGI				Social security, as well as civil service and state/local government pensions, is exempt. Pension income from other state or local governments that do not tax pension income from Massachusetts public employees is exempt from Massachusetts taxable income.
Michigan	Flat rate of 4.25%				<p>For taxpayers born before 1946: Military pensions and federal, state, and local government pensions are exempt. Private pension income is also exempt, up to \$48,302 (single filers) or \$96,605 (joint filers) for 2014. There is also a deduction for interest, dividends, and capital gains up to \$10,766 (single) or \$21,534 (joint).</p> <p>For taxpayers born between 1946 and 1952: Military and railroad retirement benefits are exempt from state income tax. These taxpayers, however, may not deduct interest, dividends, or capital gains. Other public and private pension income is exempt up to \$20,000 (single filers) or \$40,000 (joint filers). Once these taxpayers turn age 67, the deduction for pension/retirement benefits is replaced by a standard deduction against all income of \$20,000</p>

					<p>(single) or \$40,000 (joint). The standard deduction is reduced by any deductions taken for military retirement benefits or railroad retirement income. Beginning in 2013, retirees with pension benefits from employment with a government entity that was exempt from the Social Security Act have higher deduction limits.</p> <p>For taxpayers born after 1952: Military and railroad retirement benefits are exempt from state income tax. These taxpayers, however, may not deduct interest, dividends, and capital gains. They also may not exempt other public and private pension income. Once these taxpayers turn age 67, they may either deduct social security, military, and railroad retirement income or deduct \$20,000 (single filers) or \$40,000 (joint filers) from all income sources.</p>
Minnesota	5.35	9.85	\$24,270	\$250,000	Social security income is taxed by Minnesota to the same extent as it is on the federal return. If social security is the taxpayer's only income, a state income tax return is not required. Railroad retirement benefits are not taxed by Minnesota. Pensions, including federal pensions, are taxable by Minnesota. Taxpayers 65 and older may subtract some income if their federal AGI is under certain limits.
	Tax Rate %		Income Bracket¹		Retirement Income
State	Low	High	Low	High	
Mississippi	3.0	5.0	\$5,000	\$10,000	Generally, qualified retirement income, pensions, and social security are not subject to Mississippi income tax. Early distributions are not considered retirement income and may be subject to tax.

Missouri	1.5	6.0	\$1,000	\$9,000	Missouri resident taxpayers are allowed a state income tax deduction for social security benefits, social security disability benefits, and public retirement benefits received if age 62 or older, to the extent these benefits are included in federal AGI. See state information for additional criteria.
Montana	1.0	6.9	\$2,800	\$16,700	Montana taxes all pension and retirement income to the extent it is taxable on the federal return. Montana allows a pension and annuity income exemption of up to \$3,600 per individual, if certain income limitations are met. Early distributions from an IRA do not qualify for this exemption. Tier 1 and Tier 2 railroad retirement benefits are 100% exempt from Montana income tax. Social security benefits may be taxable. Worksheet VII is necessary to determine social security taxes. There is a partial interest exemption for taxpayers ages 65 and older.
Nebraska	2.46	6.84	\$3,000	\$29,000	Taxpayers may subtract social security income included in federal AGI if a taxpayer's federal AGI is less than or equal to \$58,000 for married couples filing jointly or \$43,000 for all other filers. Out-of-state government pensions are fully taxed. Railroad retirement benefits are exempt.
Nevada	No individual income tax				

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
New Hampshire	No individual income tax				New Hampshire has a 5% tax on dividend and investment income of more than \$2,400 for single filers and \$4,800 for married joint filers.
New Jersey	1.4	8.97	\$20,000	\$500,000	Pensions, annuities, and certain IRA withdrawals are taxable. Social security, railroad retirement benefits, and military pensions are not taxable. Permanent and total disability benefits received before age 65 are not taxable.
New Mexico	1.7	4.9	\$5,500	\$16,000	The state offers a low- and middle-income exemption up to \$2,500, depending on income qualification. An exemption of up to \$8,000 also applies for taxpayers ages 65 and older if AGI is not more than \$51,000 for a married filing jointly taxpayer, \$28,500 for an individual taxpayer, or \$25,500 for a married filing separately taxpayer.
New York	4.0	8.82	\$8,200	\$2,058,550	Social security and railroad retirement, as well as military, civil service, and New York state/local government pensions, are exempt. Also, up to \$20,000 of qualified private pensions for those ages 59½ and older is exempt. Out-of-state government pensions can be deducted as part of the \$20,000 exemption.
North Carolina	5.75 (flat rate)				<p>Social security benefits are exempt.</p> <p>Because of legislation enacted in 2013, previous tax breaks for pensions for both government and private employees have been eliminated starting in 2014. But standard deduction amounts have increased to \$15,000 for married filing jointly, \$12,000 for head of household, and \$7,500 for single filers or married filing separate.</p> <p>State retirees with at least five years of creditable service as of August 12,</p>

					1989, are permanently exempt from state income tax on their qualified retirement income (defined by North Carolina DOR).
State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
North Dakota	1.22	3.22	\$36,250	\$398,350	Social security benefits are taxed to the same extent as on the federal tax return. North Dakota does not offer any retirement income tax breaks for seniors.
Ohio	0.587	5.925	\$5,200	\$208,500	<p>Social security benefits are exempt. Retirement, pension, and annuity income is taxable. The Ohio return provides a credit for retirement and pension income, capped at \$200, based upon the amount of the distribution reported on Form 1099-R. The credit is not applicable for separation from employment, loans against the retirement plan, or rollovers. Taxpayers ages 65 and older are entitled to an additional \$50 tax credit. Also, certain social security income, railroad retirement income, and annuities may be deductible.</p> <p>Interest and dividend income from obligations issued by the U.S. government or its territories are exempt from Ohio tax by law. Such obligations include U.S. savings bonds (Series E, EE, H, or I), Treasury notes and bills, and Sallie Maes.</p>
Oklahoma	0.5	5.25	\$1,000	\$15,000	Social security benefits are not taxed. Each individual may exclude up to \$10,000 in federal civil service retirement benefits (see Oklahoma DOR list), as long as the amount does not exceed the amount included in the federal AGI. Each individual may exclude up to \$10,000 of his or her retirement benefits, as long as the amount does not exceed the

					amount included in the federal AGI. For any individual who claims
					the exclusions for government retirees, the amount of the exclusion cannot exceed \$10,000, minus the amounts already claimed.
Oregon	5.0	9.9	\$3,300	\$250,000	Social security and railroad retirement benefits are not taxed. All other sources of retirement income are taxed. Depending on age and income, a taxpayer may be entitled to a retirement income credit. All or a portion of U.S. government pension benefits may be eligible to be subtracted on the Oregon individual income tax return.
Pennsylvania	3.07 (flat rate)				Social security and railroad retirement benefits are not taxed. Retirement income is not taxed after age 59½ if the person has reached retirement, based on years of service or age. “Retired” means meeting the requirements of a Pennsylvania eligible plan and separated from service by retiring. Eligible employer-sponsored retirement plans can, but do not necessarily, include employer-sponsored deferred compensation plans, 401(k) plans, thrift plans, thrift savings and eligible welfare plans, commonly recognized pensions, and old-age retirement benefits paid after becoming eligible to retire and then retiring. Also eligible are United Mine Workers’ pensions, military pensions, and civil service annuities.
Rhode Island	3.75	5.99	\$59,600	\$133,500	Railroad retirement benefits are exempt. Out-of-state government pensions are fully taxed. Social security benefits are taxed to the extent that they are taxed on the federal return.

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
South Carolina	3.0	7.0	\$2,880	\$14,400	<p>Social security and railroad retirement benefits are not taxed. Each taxpayer receiving retirement income may deduct up to \$3,000 of qualifying retirement income annually until reaching age 65; thereafter, he or she may deduct up to \$10,000 of such retirement income annually. For this purpose, "retirement income" means the total of all otherwise taxable income not subject to a penalty for premature distribution from qualified retirement plans (which includes plans defined in Internal Revenue Code Sections 401, 403, 408, and 457) and public employee retirement plans of federal, state, and local governments, including military retirement. If certain requirements are met, a deduction of up to \$15,000 is allowed against any South Carolina taxable income of a resident individual who is age 65 or older by the end of the tax year. For taxpayers ages 65 and older, the total of the retirement deduction and the age-65-and-older deduction cannot exceed \$15,000 per taxpayer.</p> <p>Example: If a taxpayer claims the \$10,000 retirement deduction, he or she would only be eligible for \$5,000 as the age-65-and-older deduction.</p>
South Dakota	No individual income tax				
Tennessee	A 6% tax is levied on stock dividends and interest from bonds and other obligations.				Salaries, wages, social security, IRAs, and pension income are not taxed. The first \$1,250 (single filer) or \$2,500 (joint filer) in taxable income is exempt. Persons over age 65 with a total income of less than \$33,000 (single filer) or \$59,000 (joint filer) are exempt from the tax.
Texas	No individual income tax				

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Utah	5.0 (flat rate); taxpayers are exempt from Utah individual income tax if their federal AGI is less than or equal to the sum of their federal standard deduction (don't include the extra deduction amounts for taxpayers 65 and older or for blindness) plus their federal exemption amount.				<p>A taxpayer who meets the following requirements may be able to claim a nonrefundable tax credit of up to \$450:</p> <ol style="list-style-type: none"> 1. The taxpayer must have been born before 1953, and 2. The taxpayer must be age 65 or older as of December 31, 2009. <p>If a married couple filing a joint return are both age 65 or older, they may claim a credit of up to \$900. The credit will be phased out for income that exceeds a certain amount.</p> <p>A taxpayer who meets the following requirements and receives eligible retirement income during the year may be able to claim a nonrefundable tax credit of up to the lesser of 6% of eligible retirement income or \$288:</p> <ol style="list-style-type: none"> 1. The taxpayer must have been born before 1953, and 2. The taxpayer must be under age 65. <p>Eligible retirement income must be attributable to the taxpayer claiming the credit. Retirement income attributed to a spouse because of community property law does not qualify. The credit will be phased out for income that exceeds a certain amount.</p>
Vermont	3.55	8.95	\$36,900	\$405,100	Railroad benefits are exempt. No other retirement income, including social security benefits, is exempt.
Virginia	2.0	5.75	\$3,000	\$17,000	Social security and Tier 1 railroad retirement benefits are exempt. Taxpayers born on or before January 1, 1946, may qualify to claim an age deduction of up to \$12,000. The age

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Virginia (continued)					when the deduction is claimed will depend upon the date of birth, filing status, and income. Up to \$20,000 of disability income (derived from permanent and total disability) can be subtracted when calculating Virginia taxable income.
Washington	No individual income tax				
West Virginia	3.0	6.5	\$10,000	\$60,000	Computation of West Virginia taxable income begins with federal AGI, to which specific increases or decreases are made. Taxpayers who are either age 65 and older during any part of the taxable year or permanently and totally disabled may deduct up to \$8,000 (\$16,000 if filing jointly) of their income received from any source from their federal AGI. Regardless of age, a deduction up to \$2,000 is allowed on benefits received from West Virginia Teachers Retirement System, West Virginia Public Employees Retirement System, military retirement, and federal retirement systems. The total amount of any benefit (including survivorship annuities) received from any West Virginia state or local police, deputy sheriff's, or firemen's retirement system may be deducted. Social security income is taxable for West Virginia only to the extent that it is included in federal AGI.
Wisconsin	4.4	7.65	\$10,910	\$320,250	Social security and railroad retirement benefits are not taxable. Generally, the amount of pension and annuity income that is taxable for federal purposes is taxable for Wisconsin for taxpayers who are full-year residents of the state. Retirement benefits received on the account of a person who was a member of the Wisconsin State Teachers Retirement System, certain Milwaukee city and county

State	Tax Rate %		Income Bracket ¹		Retirement Income
	Low	High	Low	High	
Wisconsin (continued)					retirement systems, or a U.S. government retirement system as of December 31, 1963, are exempt from Wisconsin income tax. In addition, all retirement payments received from the U.S. military retirement system and from the U.S. government that relate to service with the Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the Public Health Service are exempt from Wisconsin income tax. Up to \$5,000 of certain retirement income may be excluded from Wisconsin income if the taxpayer is age 65 or older and meets income limits. Persons ages 65 and older are allowed an additional personal exemption deduction of \$250.
Wyoming	No individual income tax				
District of Columbia	4.0	8.95	\$10,000	\$350,000	Social security benefits are exempt. Taxpayers ages 62 and older can exclude \$3,000 of military, federal, and state/local pensions. All state government pensions are fully taxed.

1. May represent high and low of single and married taxpayers

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

###

Paul Levin is a financial advisor located at Retirement Refined, LLC., 112 Haddontowne Court, Suite 102, Cherry Hill, NJ 08034. Paul offers securities and advisory services as an Investment Adviser Representative of Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Paul can be reached at (856) 354-3200 or at paul@retirementrefined.com.

© 2015 Commonwealth Financial Network®