

## State Taxation of Retirement Income

The following chart shows generally which states tax retirement income, including Social Security and pension income. States shaded indicate they do not tax these forms of retirement income.

| State                | State Tax of Social Security Income            | State Tax of Pension Income  |
|----------------------|--|--|
| Alabama              | Not taxed                                      | Certain pension income not taxed                                     |
| Alaska               | No individual income tax                       | No individual income tax   |
| Arizona              | Not taxed                                      | Generally taxable  |
| Arkansas             | Not taxed                                      | Exempt to certain level  |
| California           | Not taxed                                      | Generally taxable  |
| Colorado             | Exempt to a certain level                      | Exempt to a certain level; age restrictions apply                    |
| Connecticut          | Exemption based on adjusted gross income (AGI) | Generally taxable  |
| Delaware             | Not taxed                                      | Exempt to a certain level; age restrictions apply                    |
| District of Columbia | Not taxed                                      | Generally taxable  |
| Florida              | No individual income tax                       | No individual income tax   |
| Georgia              | Not taxed                                      | Exempt to a certain level; age restrictions apply                    |
| Hawaii               | Not taxed                                      | Distributions are partially exempt                                   |
| Idaho                | Not taxed                                      | Generally taxable  |
| Illinois             | Not taxed                                      | All income from federally qualified pension plan is generally exempt |
| Indiana              | Not taxed                                      | Generally taxable  |
| Iowa                 | Exempt to a certain level                      | Exempt to a certain level; age restrictions apply                    |
| Kansas               | Exemption based on AGI                         | Generally taxable  |
| Kentucky             | Not taxed                                      | Exempt to a certain level  |
| Louisiana            | Not taxed                                      | Exempt to a certain level; age restrictions apply                    |
| Maine                | Not taxed                                      | Exempt to a certain level, excluding IRA and SEP                     |

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|                |  | distributions  |
| Maryland       | Not taxed                                  | Exempt to a certain level; age restrictions apply                            |
| Massachusetts  | Not taxed                                  | Generally taxable  |
| Michigan       | Not taxed                                  | Exempt to a certain level, excluding certain 401(k) and 403(b) distributions |
| Minnesota      | Taxed                                      | Generally taxable  |
| Mississippi    | Exempt in total                            | Not taxed  |
| Missouri       | Exemption based on AGI                     | Exempt to a certain level; income restrictions apply                         |
| Montana        | Exemption based on AGI                     | Exempt to a certain level; income restrictions apply                         |
| Nebraska       | Taxed                                      | Generally taxable  |
| Nevada         | No individual income tax                   | No individual income tax   |
| New Hampshire  | Only dividends and interest are taxable    | Only dividends and interest are taxable                                      |
| New Jersey     | Social Security excluded from gross income | Exempt to a certain level; age and income restrictions apply                 |
| New Mexico     | Taxed                                      | Exempt to a certain level; age and income restrictions apply                 |
| New York       | Not taxed                                  | Exempt to a certain level; age restrictions apply                            |
| North Carolina | Not taxed                                  | Exempt to a certain level  |
| North Dakota   | Taxed                                      | Generally taxable  |
| Ohio           | Not taxed                                  | Credit for pension distribution or income allowed; age restrictions apply    |
| Oklahoma       | Not taxed                                  | Exempt to a certain level; age restrictions apply                            |
| Oregon         | Not taxed                                  | Credit for pension distribution or income allowed; age restrictions apply    |
| Pennsylvania   | Not taxed                                  | Not taxed  |
| Rhode Island   | Taxed                                      | Generally taxable  |
| South Carolina | Not taxed                                  | Exempt to a certain level; age restrictions apply                            |
| South Dakota   | No individual income tax                   | No individual income tax   |
| Tennessee      | Only dividends and interest are taxable    | Only dividends and interest are taxable                                      |

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| Texas         | No individual income tax | No individual income tax                                     |
| Utah          | Exemption based on AGI   | Exempt to a certain level; age and income restrictions apply |
| Vermont       | Taxed                    | Generally taxable  |
| Virginia      | Not taxed                | Exempt to a certain level; age and income restrictions apply |
| Washington    | No individual income tax | No individual income tax                                     |
| West Virginia | Taxed                    | Generally taxable  |
| Wisconsin     | Not taxed                | Generally taxable  |
| Wyoming       | No individual income tax | No individual income tax                                     |

### State Tax Treatment of Social Security and Pension Income

The following CCH analysis provides a general overview of how states treat income from Social Security and pensions. States shaded indicate they do not tax these forms of retirement income.

| State    | Social Security Income   | Pension Income   |
|----------|--|--|
| Alabama  | State computation not based on federal. Social Security benefits excluded from taxable income. | Individual taxpayer's pension income from retirement pay from a qualified pension or an IRC Sec. 414(j) defined benefit plan is not taxed. |
| Alaska   | No individual income tax.  | No individual income tax.  |
| Arizona  | Social Security benefits subtracted from federal AGI.  | Individual taxpayer's pension income is generally taxable.   |
| Arkansas | State computation  | Up to \$6,000 total in retirement pay benefits and benefits received from an individual retirement account (IRA) is exempt.                |

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|             | not based on federal. Social Security benefits excluded from taxable income.   |   |
| California  | Social Security benefits subtracted from federal AGI.  | Individual taxpayer's pension income is generally taxable.  |
| Colorado    | Pension income, including Social Security benefits, up to \$24,000 may be subtracted from federal taxable income by those 65 and older, and up to \$20,000 by those 55 and older or those who are second-party beneficiaries of someone 55 or older. | An individual taxpayer 55 through 64 years old can exclude up to \$20,000 (\$24,000 for a taxpayer aged 65 or older) in pension and annuity income. |
| Connecticut | Joint filers and heads of households with AGIs under   | Individual taxpayer's pension income is generally taxable.  |

\$60,000  
and  
individuals  
with AGIs  
under  
\$50,000  
deduct from  
federal AGI  
all Social  
Security  
income  
included for  
federal  
income tax  
purposes.  
Joint filers  
and heads  
of  
households  
with AGIs  
over  
\$60,000  
and  
individuals  
with AGIs  
over  
\$50,000  
deduct the  
difference  
between the  
amount of  
Social  
Security  
benefits  
included for  
federal  
income tax  
purposes  
and the  
lesser of  
25% of  
Social  
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benefits  
received or  
25% of the

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|                      | excess of the taxpayer's provisional income in excess of the specified base amount under IRC Sec. 86(b) (1). |  |
| Delaware             | Social Security benefits subtracted from federal AGI.  | An individual taxpayer younger than 60 may deduct pension amounts of up to \$2,000, and a taxpayer 60 or older may deduct up to \$12,500. Eligible amounts for a taxpayer 60 or older include retirement income (dividends, capital gains realization, interest and rental income).          |
| District of Columbia | Social Security benefits subtracted from federal AGI.  | Individual taxpayer's pension income is generally taxable.   |
| Florida              | No individual income tax.  | No individual income tax.  |
| Georgia              | Social Security benefits subtracted from federal AGI.  | For 2011 an individual taxpayer 62 or older may exclude up to \$35,000 of retirement income (\$70,000 maximum exclusion for joint returns), up to \$4,000 of the maximum exclusion amount may be earned income. Phase out of taxation of retirement income beginning with the 2012 tax year. |
| Hawaii               | Social Security benefits subtracted from federal AGI.  | Distributions derived from employer contributions to pensions and profit-sharing plans are exempt.   |
| Idaho                | Social Security benefits subtracted  | Individual taxpayer's pension income is generally taxable.   |

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|          | from federal AGI.  |  |
| Illinois | Social Security benefits subtracted from federal AGI.  | Income from a federally qualified retirement plan and an IRA, as well as retirement payments to a retired partner, is excluded.  |
| Indiana  | Social Security benefits subtracted from federal AGI.  | Individual taxpayer's pension income is generally taxable.   |
| Iowa     | Subtraction allowed for 67% of federally taxable benefits for tax year 2011, 77% in 2012 and 89% in 2013. For tax years after 2013, Social Security benefits are fully exempt. | Married taxpayers 55 or older filing a joint return may exclude up to \$12,000 (\$6,000 for an unmarried taxpayer) of pension benefits and other retirement pay. A special rule applies to a spouse filing separately. |
| Kansas   | For 2011 and thereafter, taxpayers with a federal AGI of \$75,000 or less are exempt from any state tax on their Social Security   | Individual taxpayer's pension income is generally taxable.   |

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|               | benefits.   |   |
| Kentucky      | Social Security benefits subtracted from federal AGI. | Up to \$41,110 of retirement income from a pension plan, annuity contract, profit-sharing plan, retirement plan or employee savings plan, including IRA amounts and other similar income, is exempt.  |
| Louisiana     | Social Security benefits subtracted from federal AGI. | Up to \$6,000 of the pension and annuity income of an individual taxpayer 65 or older is exempt.  |
| Maine         | Social Security benefits subtracted from federal AGI. | A recipient of pension benefits under an employee retirement plan may generally subtract from federal AGI the lesser of:<br><ul style="list-style-type: none"> <li>–\$6,000 (reduced by the total amount of the recipient’s Social Security benefits and Railroad Retirement benefits paid); or</li> <li>–The aggregate of pension benefits received by the recipient under employee retirement plans and included in the individual’s federal AGI.</li> </ul>        |
| Maryland      | Social Security benefits subtracted from federal AGI. | For 2011, up to \$26,300, generally, in pension income (except income from an IRA, SEP or Keogh) is excludable for an individual taxpayer 65 or older.  |
| Massachusetts | Social Security benefits subtracted from federal AGI. | Individual taxpayer’s pension income is generally taxable.  |
| Michigan      | Social Security benefits subtracted from federal AGI. | For 2011, up to \$45,842 in pension and retirement income is deductible on a single return (\$91,684 on a joint return); however, distributions from certain 401(k) or 403(b) plans are taxable. Additionally, senior citizens age 65 or older may also be able to deduct part of their interest, dividends, and capital gains that are included in AGI. For 2011, the deduction is limited to a maximum of \$10,218 for single filers and \$20,437 for joint filers. |
| Minnesota     | State computation begins with                         | Individual taxpayer’s pension income is generally taxable.  |



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|             | federal taxable income. No subtraction.   |   |
| Mississippi | State computation not based on federal. Social Security benefits exempt in total.   | Retirement allowances, pensions, annuities or "optional retirement allowances" (income from Keogh plan, IRA or deferred compensation plan) are exempt.  |
| Missouri    | Social Security benefits that are included in federal AGI may be subtracted. The maximum amount of benefits that may be deducted is as follows: 80% for 2011 and 100% for 2012 and after. | For 2011, married couples with Missouri AGI less than \$100,000 and single individuals with Missouri AGI less than \$85,000, may deduct the greater of \$6,000 or 80% percent of their public retirement benefits, to the extent the amounts are included in their federal AGI.<br><br>For a taxpayer with an income level above the AGI limits listed above, a partial exemption may be available. |
| Montana     | Separate calculation to determine taxable Social Security benefits. Benefits exempt if income is \$25,000 or  | For an individual taxpayer, up to \$3,760 of pension and annuity income is exempt (reduced by \$2 for every \$1 of federal AGI that exceeds \$31,370).  |

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|               | under for single filers or heads of households or \$32,000 and under for married taxpayers filing jointly.      |   |
| Nebraska      | State computation begins with federal AGI. No subtraction.  | Individual taxpayer's pension income is generally taxable.  |
| Nevada        | No individual income tax.   | No individual income tax.   |
| New Hampshire | Only dividends and interest are taxable.  | Only dividends and interest are taxable.  |
| New Jersey    | State computation not based on federal. All Social Security benefits are excluded by statute from gross income. | Married taxpayers filing jointly and 62 or older with an income of \$100,000 or less may exclude up to \$20,000 of pension or annuity income, or of IRA withdrawals (\$10,000 if an individual taxpayer is married and filing separately or \$15,000 for a single taxpayer, a head of household or a qualifying widow(er)).   |
| New Mexico    | State computation begins with federal AGI. No subtraction.  | An individual taxpayer 65 or older may exempt up to \$8,000 of income, including pension income, depending upon the individual's filing status and federal AGI.<br><br>Joint filers, a surviving spouse or a head of household with AGI of \$51,000 or more are ineligible for this exemption. A married individual filing separately becomes ineligible at \$25,500. A single individual becomes ineligible at \$28,500. |
| New York      | Security benefits subtracted from federal   | For an individual taxpayer 59½ or older, \$20,000 of pension and annuity income is exempt.  |

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|                | AGI.  |  |
| North Carolina | Social Security benefits subtracted from federal taxable income.      | Up to \$2,000 in retirement benefits, other than railroad retirement benefits, received during the tax year from one or more private retirement plans, and included in federal gross income, is deductible.<br><br>For a married couple filing a joint return, the maximum amount that may be deducted applies separately to the benefits received by each spouse.   |
| North Dakota   | State computation begins with federal taxable income. No subtraction. | Individual taxpayer's pension income is generally taxable.   |
| Ohio           | Social Security benefits subtracted from federal AGI.                 | A recipient of retirement income may claim an annual credit ranging from \$25 to \$200, depending on the amount of benefit received during the year. Also, in lieu of the \$50 senior citizen income credit (credit eligibility is dependent on age not retirement income) an individual taxpayer 65 or older may claim a credit for a lump-sum distribution from a retirement, pension or profit-sharing plan equaling \$50 times the taxpayer's expected remaining life years. If they choose the lump sum distribution credit, however, they are no longer eligible for the annual senior citizen credit. |
| Oklahoma       | Social Security benefits subtracted from federal AGI.                 | For 2011, up to \$10,000 of retirement benefits from a private pension is exempt for an individual taxpayer 65 or older, but not to exceed the amount included in federal AGI.   |
| Oregon         | Social Security benefits subtracted from federal taxable income.      | An individual taxpayer 62 or older may claim a credit for pension income from a public or qualified private pension benefit plan in the amount of the lesser of 9% of the individual's net pension income or the individual's state personal income tax liability.   |
| Pennsylvania   | State computation not based on federal. Social Security benefits not  | Individual taxpayer's pension income is not taxed.   |

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|                | included in state taxable income.                                     |   |
| Rhode Island   | State computation begins with federal taxable income. No subtraction. | Individual taxpayer's pension income is generally taxable.  |
| South Carolina | Social Security benefits subtracted from federal taxable income.      | An individual taxpayer receiving retirement income may deduct up to \$3,000. A taxpayer 65 or older may deduct up to \$10,000. The personal income tax deduction from taxable retirement income can only be claimed by the taxpayer who is the original owner of a qualified retirement account.  |
| South Dakota   | No individual income tax.   | No individual income tax.   |
| Tennessee      | Only dividends and interest are taxable.                              | Only dividends and interest are taxable.  |
| Texas          | No individual income tax.   | No individual income tax.   |
| Utah           | State computation begins with federal taxable income. No subtraction. | An eligible retiree age 65 or older is allowed a nonrefundable retirement credit of \$450, and an eligible retiree under age 65 is allowed a nonrefundable retirement credit equal to the lesser of \$288 or 6% of the eligible retirement income for the taxable year for which the retiree claims the tax credit. These credits are phased out at 2.5 cents per dollar by which modified AGI exceeds \$16,000 for married individuals filing separately, \$25,000 for singles and \$32,000 for heads of household and joint filers. |
| Vermont        | State computation begins with federal taxable income. No subtraction. | Individual taxpayer's pension income is generally taxable.  |
| Virginia       | Social  | The \$12,000 deduction available to an individual taxpayer 65 or  |

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|               | Security benefits subtracted from federal AGI.             | older is reduced dollar for dollar for every \$1 that the taxpayer's adjusted federal AGI exceeds \$50,000 (\$75,000 for married taxpayers). For a married taxpayer filing separately, the deduction is reduced by \$1 for every \$1 that the total combined adjusted federal AGI of both spouses exceeds \$75,000 |
| Washington    | No individual income tax.                                  | No individual income tax.  |
| West Virginia | State computation begins with federal AGI. No subtraction. | Individual taxpayer's pension income is generally taxable. However, subject to some qualification, an individual taxpayer who, by the last day of the tax year, has reached age 65 may deduct up to \$8,000 to the extent that amount was includable in federal AGI.   |
| Wisconsin     | Full exclusion effective beginning in tax year 2008.       | Individual taxpayer's pension income is generally taxable.   |
| Wyoming       | No individual income tax.                                  | No individual income tax.  |

SOURCE: CCH, 2012.