

# State Tax Treatment of Federal Annuities: Tax Year 2001

## State Sales Tax (does not include city or county add ons)

|                  |                  |                   |                     |                    |
|------------------|------------------|-------------------|---------------------|--------------------|
| Alabama - 4%     | Hawaii - 4%      | Michigan - 6%     | No. Carolina - 4.5% | Utah - 4.75%       |
| Alaska - 0%      | Idaho - 5%       | Minnesota - 6.5%  | North Dakota - 5%   | Vermont - 5%       |
| Arizona - 5.6%   | Illinois - 6.25% | Mississippi - 7%  | Ohio - 5%           | Virginia - 4.5%    |
| Arkansas - 5.13% | Indiana - 5%     | Missouri - 4.225% | Oklahoma - 4.5%     | Washington - 6.5%  |
| California - 6%  | Iowa - 5%        | Montana - 0%      | Oregon - 0%         | West Virginia - 6% |
| Colorado - 2.9%  | Kansas - 4.9%    | Nebraska - 5%     | Pennsylvania - 6%   | Wisconsin - 5%     |
| Connecticut - 6% | Kentucky - 6%    | Nevada - 2%       | Rhode Island - 7%   | Wyoming - 4%       |
| Delaware - 0%    | Louisiana - 4%   | N. Hampshire - 0% | So. Carolina - 5%   |                    |
| DC - 5.75%       | Maine - 5%       | New Jersey - 6%   | South Dakota - 4%   |                    |
| Florida - 6%     | Maryland - 5%    | New Mexico - 5%   | Tennessee - 6%      |                    |
| Georgia - 4%     | Mass. - 5%       | New York - 4%     | Texas - 6.25%       |                    |

## States With No Personal Income Taxes

|                      |                            |                        |            |         |
|----------------------|----------------------------|------------------------|------------|---------|
| Alaska               | Nevada                     | South Dakota           | Texas      | Wyoming |
| Florida <sup>1</sup> | New Hampshire <sup>2</sup> | Tennessee <sup>3</sup> | Washington |         |

## States Exempting Total Amount of Civil Service Annuities

|         |          |                       |                    |             |                          |                        |
|---------|----------|-----------------------|--------------------|-------------|--------------------------|------------------------|
| Alabama | Illinois | Kentucky <sup>4</sup> | Mass. <sup>5</sup> | Mississippi | N. Carolina <sup>6</sup> | Pennsylvania           |
| Hawaii  | Kansas   | Louisiana             | Michigan           | New York    | Oregon <sup>7</sup>      | Wisconsin <sup>8</sup> |

**1 FL:** Value of stocks, bonds, mutual funds, etc. taxed. Single: assets under \$100,000 taxed at \$1 per thousand, less a personal exemption of \$20; over \$100,000 at \$1.50 per thousand, less a personal exemption of \$70. Couple: under \$200,000 taxed at \$1 per thousand, less a personal exemption of \$40; over \$200,000 at \$1.50 per thousand, less a personal exemption of \$140. **2 NH:** 5% tax on interest/dividend income that exceeds \$2,400 (single) or \$4,800 (couple). **3 TN:** Certain interest/dividend income taxed at 6% if it exceeds \$1,250 (single) or \$2,500 (couple). **4 KY:** Total amount is exempt only if retired before January 1, 1998. See below for retirements after December 31, 1997. **5 MA:** Tax rate on interest/dividend income is 5.6% for the 2001 tax year. **6 NC:** Annuities not taxed beginning with 1998 if individual had five years of government service as of August 12, 1989. **7 OR:** Annuities of those who retired before October 1, 1991 are not taxed. Those who retired after October 1, 1991 are taxed only on that portion of the annuity attributable to government service after October 1, 1991. **8 WI:** Full exemption if benefits received from a retirement account established before 1964.

## Other Exemptions

Note: SS=Social Security; RR=Railroad Retirement; AGI=Adjusted Gross Income

**Arizona:** \$2,500 exclusion for federal & AZ state and local pensions. All residents receive a \$2,300 personal exemption. In addition, all residents 65+ receive a \$2,100 exemption.

**Arkansas:** \$6,000 employer-sponsored annuity exclusion. All residents 65+ receive an additional \$20 exemption. \$6,000 IRA exempt from taxable income.

**California:** \$79 personal exemption plus additional \$79 for 65+.

**Colorado:** \$20,000 exemption for all taxpayers 55-64. \$24,000 exemption for all taxpayers 65+.

**Connecticut:** Personal exemptions of up to \$12,000 (married filing separately), \$12,500 (single), \$19,000 (head of household), and \$24,000 (married filing jointly). Tax credits up to 75% depending on income level. Social Security ben-

efits are tax-exempt if federal AGI is less than \$50,000 (single or married filing separately) or less than \$60,000 (married filing jointly or head of household). The amount of taxable benefits is reduced for those with AGI above those levels.

**Delaware:** \$2,000 pension exclusion (\$12,500 for those 60+). Add'l personal credit of \$110 for those 60+. In addition, all residents 60+ or totally disabled get a \$2,000 exemption if earned income is less than \$2,500 and AGI is under \$10,000. (Figures double if married.)

**District of Columbia:** Two provisions: (1) \$3,000 pension exclusion if 62+; and (2) an additional exemption of \$1,370 for all residents (not just pension recipients) 65+.

**Georgia:** \$14,000 retirement income exclusion if 62+ or totally disabled.

**Idaho:** Exclusions (minus SS received) for those 65+ or 62+ and disabled: \$17,196 (single); \$25,794 (married couple).

**Indiana:** \$2,000 pension exclusion if 62+ (minus SS and RR). No pension exclusion allowed for survivor annuitants of civil service annuities. In addition, all residents 65+ receive a \$1,000 personal exemption or \$1,500 if federal AGI is less than \$40,000.

**Iowa:** \$6,000 (single), \$12,000 (joint) for disabled and those 55+. There is also a \$20 personal exemption credit for 65+.

**Kentucky:** With retirements after January 1, 1998, some of the civil service annuity will be taxed. The percentage will be based on number of years of government service before 1/1/98 and total years worked. All residents receive an exclusion of up to \$37,500 of taxable pension benefits for 2001.

**Maine:** A pension income deduction can be taken on line 15 of the long tax form or line 14 of the short form, but you must also fill out the Worksheet for Pension Income Deduction to determine the eligibility amount. There is an additional standard deduction for 65+ of \$1,100 (single), \$900 if married, and \$1,800 (couple).

**Maryland:** Pension exclusion up to \$17,300 for those 65+ or totally disabled reduced by SS or RR benefits. In addition, all residents 65+ receive a personal exemption of \$1,000.

**Massachusetts:** Additional exemption of \$700 (single) and \$1,400 (married/joint filing) is allowed for individuals 65+ by 12/31/01.

**Michigan:** Private retirement income included in AGI is deductible up to \$36,090 (single) and \$72,180 (joint). The allowable private pension deduction amount is reduced by the amount of exempt public pension income. Retirement income does not include payments made before the individual was eligible to retire under the provisions on the plan. Seniors (65+) are allowed an additional exemption of \$1,900 for tax year 2001. A deduction for dividends, interest, and capital gain for 65+ is included in AGI up to \$8,048, (single) and \$16,095 (joint). The allowable deduction is reduced by all pension deductions from AGI, public and private.

**Minnesota:** Single 65+ or disabled have some income excluded if federal AGI is under \$33,700 and non-taxable SS is under \$9,600. For a couple, the limits are \$42,000 AGI and \$12,000 non-taxable SS.

**Mississippi:** \$12,000 exemption for married filing jointly. All residents 65+ receive an additional \$1,500 exemption.

**Missouri:** Up to \$6,000 exemption for each filer falling below the income limitation of \$25,000 (single), \$16,000 (married filing separate), and \$32,000 (married filing joint); The \$6,000 must be decreased dollar for dollar by the amount the income exceeds the income limitation. For example, a single filer would be completely phased out at \$31,000 (individual), a married couple filing separate at \$22,000 (married filing separate). For a married couple filing jointly, if both had pensions of \$6,000 or greater, the exemption phases out completely at \$44,000 (married filing joint). If only one had a \$6,000 pension, the phase out is \$38,000.

**Montana:** \$3,600 pension exclusion for those with AGI below \$30,000, reduced \$2 for every \$1 over \$30,000. All residents 65+ receive an additional personal exemption of \$1,720. Tier I and II RR benefits are fully exempt.

**Nebraska:** Tier I and II RR benefits are fully exempt.

**New Jersey:** Exclusion for 2001 is \$11,250 (single), \$7,500 (married filing separately), or \$15,000 (married filing jointly), for annuitants 62+ or disabled according to SS guidelines. An additional \$3,000 (\$6,000 joint) can be deducted if ineligible for SS and RR. All residents 65+ receive a \$1,000 personal exemption. Under NJ's 3-Year Rule, annuities are not taxed until total employee contributions to civil service retirement have been recovered.

**New Mexico:** Exemptions for all residents 65+: \$8,000 for those with taxable income less than \$18,000; exemption reduces as income increase; no exemptions above \$51,000.

**North Carolina:** Exclusion of up to \$4,000 retirement income from a government source; 65+ receive an addition of \$750 (single) or \$1,200 (\$600 each for a couple if both 65+) to the regular standard deduction.

**North Dakota:** Pension exclusion up to \$5,000, reduced by any SS benefits. It is available only on the state's ND-2 form; no exclusion offered on the ND-1 form.

**Ohio:** Graduated retirement income credit ranging from \$0, for annuities less than \$500, to \$200 for annuities exceeding \$8,000. \$50 tax credit per return for residents 65+.

**Oklahoma:** Federal, military, and OK government retiree exclusion of \$5,500. \$5,500 other pension exclusion for 65+ with AGI limit \$25,000 (single) or \$50,000 (joint). Additional \$1,000 exemption for legally blind or 65+ under certain income limits.

**Oregon:** Additional standard deduction for 65+: \$1,200 (single), \$1,000 each spouse 65+ (joint). Some retirement income credit for 62+ with income under \$22,500 (single), \$45,000 (joint).

**South Carolina:** \$3,000 retirement deduction at any age, \$10,000 for 65+. \$15,000 deduction for each taxpayer 65+ by end of tax year against any SC taxable income (reduced by \$10,000 retirement deduction above).

**Tennessee:** Persons 65+ are tax-exempt if total annual income from any and all sources is \$16,200 or less (single), or \$27,000 or less (joint, no matter which spouse is 65+). An income tax return must be filed each year to claim this exemption.

**Utah:** \$7,500 retirement income exclusion per retiree if 65+, \$4,800 if under 65. Reduced \$0.50 for every \$1 of AGI from line 4 of the Utah return plus any lump sum amount on line 6 of the Utah return, plus any interest on line 8b of the federal forms 1040A or 1040 that exceed \$25,000 - single, \$16,000 - married filing separately, \$32,000 - married filing joint, head of household, or qualifying widow (er). RR excluded from Utah income.

**Virginia:** \$6,000 exclusion for residents 62-64; \$12,000 for residents 65+; additional \$800 personal exemption if 65+.

**West Virginia:** \$2,000 pension exclusion. Residents 65+ may exclude a total of \$8,000 including the \$2,000 pension exclusion.

**Wisconsin:** An additional personal exemption of \$250, if 65+.