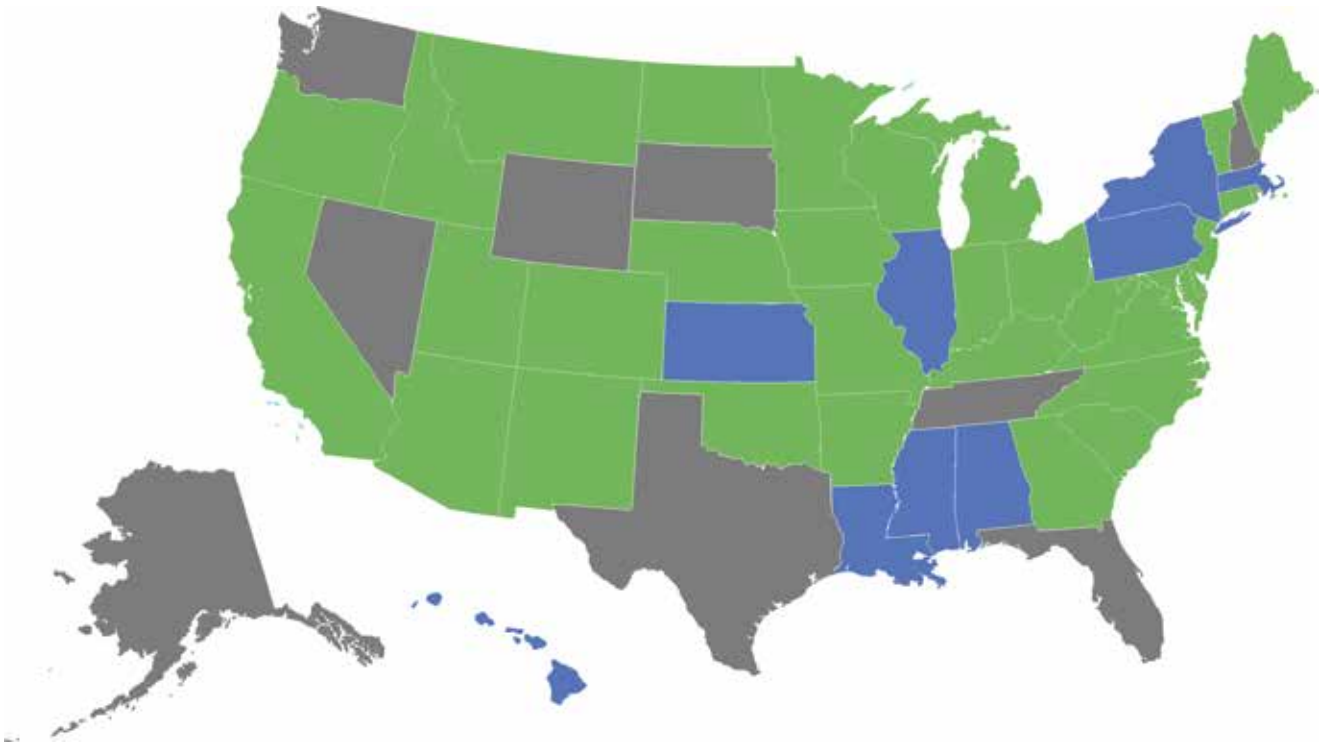


STATE TAX TREATMENT



States With No Personal Income Taxes

ALASKA
FLORIDA
NEVADA

NEW HAMPSHIRE¹
SOUTH DAKOTA
TENNESSEE²

TEXAS
WASHINGTON
WYOMING

¹New Hampshire: Taxes interest/dividend income at 5% if it exceeds \$2,400 (single) or \$4,800 (couple). \$1,200 exemption for residents age 65+ (see p.31).

²Tennessee: Taxes certain interest/dividend income at 1% if it exceeds \$1,250 (single) or \$2,500 (couple) for 2020 tax year; tax is repealed starting in 2021 tax year. Individuals age 65+ have additional means-based exemption (see p. 33).

States Exempting Total Amount of Civil Service Annuities*

ALABAMA
HAWAII
ILLINOIS

KANSAS
LOUISIANA
MASSACHUSETTS

MISSISSIPPI
NEW YORK
PENNSYLVANIA

*** In addition, the five states listed below exempt certain federal civil service annuities from taxation. Some exemptions depend on the taxpayer's age or dates of government service.**

KENTUCKY: Amount attributable to service prior to January 1, 1998, is exempt. See p. 30 for taxation of annuities attributable to service on or after January 1, 1998.

MICHIGAN: Full exemption only applicable to taxpayers born before 1946. See p. 31 for taxation of federal (and other) pension income for taxpayers born in 1946 and later.

NORTH CAROLINA: Annuities not taxed if the individual had five years of federal government service as of August 12,

1989. If otherwise, see p. 32.

OKLAHOMA: CSRS annuities excluded from taxation. Taxpayers with annuities with both FERS and CSRS components may exclude the portion attributable to CSRS service.

OREGON: Annuities not taxed if individual retired before October 1, 1991. Those who retired after October 1, 1991, are taxed only on that portion of the annuity attributable to federal government service after October 1, 1991.

TAX YEAR

2020

of FEDERAL ANNUITIES

Other Exemptions

ALABAMA: SS, federal retirement, military retirement and state pension income are exempt. Income from all defined-benefit pension plans is exempt. Income from distributions from accounts like IRAs and 401(k)s are partially taxable.

ARIZONA: SS is exempt. Up to \$2,500 total of civil service and Arizona state and local government pensions are exempt. Up to \$3,500 is exempt if the taxpayer receives benefits, annuities or pension as retired or retainer pay of the uniformed services. Additional personal exemption for all residents age 65+.

ARKANSAS: SS and military retirement benefits are exempt. Up to \$6,000 is exempt from an employment-related pension plan. IRA distributions can be included as

The latest edition of the NARFE state tax roundup is here just in time for tax filing, as well as for planning purposes. The following pages contain the most up-to-date information on each state's tax situation. Use this guide to learn if there have been any changes to the way your state treats your federal annuity or retirement income. The NARFE team combed through every state's tax code to provide a comprehensive guide in the pages that follow, so give it a good, thorough read. And don't forget to share the information with others so they don't miss out on potential savings.

This roundup of state tax treatment of federal annuities and other tax information is presented for informational purposes only and does not constitute professional tax advice. NARFE has taken all reasonable efforts to ensure that the information contained in this roundup is accurate at the time of publication; however, NARFE cannot guarantee the completeness or accuracy of this information and is not responsible for any errors or omissions. Please consult a tax professional for advice in preparing tax returns. The information also is available on the NARFE website, www.narfe.org.

part of the exemption if the taxpayer is age 59+. Out of state government pensions also qualify for the exemption.

CALIFORNIA: SS is exempt. Additional \$122 personal exemption for residents age 65+. All private, public and military pensions are taxed.

COLORADO: SS income that is not taxed by the federal government is exempt. There is a \$24,000 pension/annuity exemption for all taxpayers age 65+, \$20,000 pension/annuity exemption for all taxpayers between ages 55 and 64. The same exemption applies to SS and other qualifying retirement income (including federal civil service annuities, military retirement and all out-of-state pensions).

CONNECTICUT: SS is exempt if federal AGI is below \$75,000 for those single or MFS and AGI of \$100,000 or less if MFJ. For those with an AGI below \$75,000 (single,

MFS) or \$100,000 (MFJ, HH), other pension and annuity income is subject to a percentage deduction (28%). Military retirement pay is exempt.

DELAWARE: SS is exempt. Taxpayers age 60+ may exclude \$12,500 of investment and qualified pension income, as well as IRAs and 401(k)s, and qualify for an additional tax credit of \$110. Taxpayers under age 60 may exclude \$2,000. Taxpayers age 65+ are entitled to an additional standard deduction of \$2,500 (if not itemizing). Single or MFS taxpayers age 60+, or totally disabled, may exclude \$2,000 if earned income is less than \$2,500 and AGI is \$10,000 or less. If MFJ and both spouses are age 60+, or are totally disabled, they may exclude \$4,000 if earned income is less than \$5,000 and AGI is \$20,000 or less.

DISTRICT OF COLUMBIA: SS is exempt. For taxpayers age 62+, DC and federal government survivor benefits are exempt. Other retirement income is not exempt. State government and public pensions

Key to Abbreviations

AGI=Adjusted Gross Income
CSRS=Civil Service Retirement System
FERS=Federal Employees Retirement System
HH=Head of Household
IRA=Individual Retirement Account
MFJ=Married Filing Jointly
MFS=Married Filing Separately
QW=Qualified Widow(er)
RR=Railroad Retirement*
SS=Social Security

*Federal law does not permit states to tax Railroad Retirement income. Exemption is not noted in roundup except where it affects provisions.

are taxed. For those born before Jan. 2, 1956, or are blind, standard deductions increase by \$1,300 for MFJ/MFS/QW and \$1,650 for S/HH.

GEORGIA: SS is exempt. Taxpayers who are age 62-64, or permanently and totally disabled regardless of age, may exclude \$35,000 of retirement income. For taxpayers age 65+, the retirement income tax exclusion is \$65,000. Retirement income includes income from pensions and annuities, interest income, dividend income, net income from rental property, capital gains income and income from royalties. Up to \$4,000 of the maximum allowable exclusion may be earned income.

HAWAII: SS is exempt. Federal retirement, military retirement, state or county retirement system pension income, and distributions from exclusively employer-funded pensions are exempt. and 401(k) distributions are treated as they are for federal taxes. Distributions to employer funded pensions to which an employee also contributed are partially taxed. Additional personal exemption of \$1,144 per person age 65+.

IDAHO: SS is exempt. Retirement benefits deduction available for CSRS annuitants who established CSRS eligibility prior to 1984 and are age 65+, or 62+ and disabled, in the amount of \$36,132 (if single) or \$54,198 (if MFJ) minus SS and RR received. Deduction includes workers under the Foreign Service Retirement and Disability System (FSRDS). Retirement benefits deduction also available for military retirees. Persons using MFS status are not eligible for the retirement benefits deduction. Extra standard deduction for persons age 65+.

ILLINOIS: SS and income from most qualified employee retirement plans are exempt, including military pensions, government retirement plans, military pensions and employment benefits plans like 401(k)s and IRAs. Extra personal exemption for persons age 65+.

INDIANA: SS is exempt. Taxpayers may exclude as much as \$6,250 of military retirement income, plus 50% of the amount that exceeds \$6,250. Taxpayers age 62+ may deduct up to \$16,000 from a federal civil service annuity minus the total amount of any SS or RR benefits. Taxpayers age 65+ can take additional personal exemption of \$1,000. An additional personal exemption of \$500 can be taken by residents age 65+ with a federal AGI that is less than \$40,000.

IOWA: SS and military retirement benefits are exempt. Taxpayers who are age 55+ or are disabled may exclude up to \$6,000 (S, HH, QW) or \$12,000 (MFJ or MFS) of pension or annuity income (including civil service annuities), self-employed retirement plan income, deferred compensation, IRA distribution or other retirement plan benefit income. Additional \$40 personal exemption credit for those age 65+.

KANSAS: SS is exempt if federal AGI is \$75,000 or less. Federal, military and in-state/local pensions are exempt. For those age 65+ and/or blind, an additional deductions of up to \$10,300 are available; amount is dependent on tax filing status and whether the resident and/or spouse is blind.

KENTUCKY: SS is exempt. Federal civilian and military retirement annuities attributable to service prior to Jan. 1, 1998, are excluded.

Annuities attributable to service after Jan. 1, 1998, are included as pension income, of which taxpayers may exclude up to \$31,110. An additional credit of \$40 for each individual age 65+.

LOUISIANA: SS is exempt. Federal retirement annuities are exempt. In addition, persons age 65+ may exclude up to \$6,000 of annual retirement income from their taxable income if single, \$12,000 if MFJ and both are receiving retirement income. If only one spouse has retirement income, the exclusion is limited to \$6,000.

MAINE: SS and military retirement benefits are exempt. The taxpayer and spouse may each deduct from federal AGI \$10,000 of eligible pension income.

MARYLAND: SS is exempt. If age 65+ or totally disabled, you may exclude up to \$33,100 in pension income, under certain conditions. Additional \$1,000 exemption for residents who are blind or age 65+. If a dependent over 65 is claimed, you can also receive an extra exemption of up to \$3,200. Military retirement subtraction up to \$15,000 if 55+; \$5,000 for those under age 55. To qualify for this subtraction, you must have been a member of an active or reserve component of the U.S. military, an active duty member of the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, the Coast and Geodetic Survey, or a member of the Maryland National Guard, or the member's surviving spouse or ex-spouse.

MASSACHUSETTS: SS, federal civil service and military pensions are exempt. Tax reciprocity with local/state

governments that do not tax pension income from Massachusetts public employees. Additional exemption of \$700 for each individual age 65+.

MICHIGAN: SS and military pensions are exempt. Other pension and retirement benefits are taxed differently depending on the age of the taxpayer. Federal, state and local pensions are exempt for individuals born before 1946, as are private pension and retirement benefits up to \$53,759 if filing single or MFS, or \$107,517 if MFJ. Taxpayers born after 1954 cannot deduct retirement income. However, once taxpayers reach 67 years of age, they can take a standard deduction of \$20,000 (S) or \$40,000 (MFJ) against all income, subject to conditions that depend on whether they were born before or after 1952. Additional deductions exist for SS exempt employment based on age and retirement date.

MINNESOTA: Certain types of military pensions or other military retirement pay may be subtracted from taxable income. To claim this subtraction, the qualifying income must be included in federal adjusted gross income. Those who are MFJ can deduct up to \$5,240 in Social Security benefits from their state income. Taxpayers 65+ and those with a permanent total disability may be eligible for subtraction, based on income. Additionally, interest received from a federal government source may be eligible for subtraction.

MISSISSIPPI: SS and retirement income from federal, state and private retirement systems are exempt, along with qualified retirement income. Additional exemption of \$1,500 for residents age 65+.

MISSOURI: Military retirement income exempt in cases of disability as a result of military service. Taxpayers with AGI under \$85,000 (single, HH, MFS, QW) or \$100,000 (MFJ) may exempt the greater of \$6,000 or 100 percent of any federal, state or local pension income, up to a maximum of \$39,014 per taxpayer. Taxpayers with AGI exceeding the limitation may qualify for a partial exemption. Taxpayers with AGI over these limits may be eligible for a partial exemption. Taxpayers age 62+ or disabled with an AGI under \$85,000 (single, HH, MFS, QW) or \$100,000 (MFJ) may exempt 100 percent of the taxable amount of SS or SS disability benefits. Taxpayers with AGI exceeding the limitation may qualify for a partial exemption.

MONTANA: Additional exemptions if age 65+ and/or blind. Taxpayers age 65+ may exempt \$800 (\$1,600 if MFJ) of interest income reported in Montana AGI. You may exempt up to \$4,370 of pension income per taxpayer, however your exemption is reduced by \$2 for every \$1 your AGI exceeds \$36,420. The instructions note that you are more likely to receive the full exemption if MFS.

NEBRASKA: Public and private pension income is fully taxed. Taxpayers with AGI less than or equal to \$59,100 MFJ or \$44,460 for all other returns may deduct SS income. Military retirees may make a one-time election within two calendar years after the date of their retirement from the military. Military retirees can choose to exclude 40 percent of their military retirement benefit income for seven consecutive taxable years or can exclude 15 percent of military retirement benefit income for all taxable years beginning with the year the retiree turns 67.

NEW HAMPSHIRE: SS is exempt. A 5 percent tax is applied only to interest and dividend income exceeding \$2,400 (\$4,800 for joint filers). Residents age 65+—as well as those of any age who are blind, and those under 65 who are disabled and unable to work—qualify for an additional \$1,200 exemption for taxable dividends and interest.

NEW JERSEY: SS and military pensions are exempt. Taxpayers age 62+ may exclude all or part of their taxable pensions, annuities and IRA withdrawals if their gross income for the entire year before subtracting any pension exclusion does not exceed \$100,000. The maximum amount excluded depends on filing status. For tax year 2020, MFJ can exclude up to \$100,000; S, HH, or QW, can exclude up to \$75,000; and MFS, can exclude up to \$50,000. Under certain conditions, additional amounts from retirement plans may be eligible for special exclusion if you (and your spouse if MFJ) will never be able to receive SS or railroad benefits because your employer did not participate in either program. You can claim \$6,000 if MFJ, or \$3,000 if S/MFS. Additional \$1,000 personal exemption for residents age 65+ or blind.

NEW MEXICO: Retirement benefits are taxed. Taxpayers age 65+ with whose AGI is less than \$28,500 (S), \$51,000 (MFJ, HH, QW) or \$25,500 (MFS) qualify for a deduction of \$8,000. Taxpayers under 65 can claim an exemption of \$2,500 if AGI is less than \$36,667 (S) or \$55,000 if MFJ. If age 100+, all income exempt from state income tax if centenarian is single or spouse is also 100+ and no other dependents can be claimed.

NEW YORK: SS and state, local and federal pensions, including military and civil service, are exempt. An additional pension and annuity income exclusion of up to \$20,000 is available to persons age 59½+. Out-of-state government pensions can be deducted as part of a \$20,000 exemption.

NORTH CAROLINA: SS is exempt. Under the Bailey Settlement (Bailey vs. North Carolina), federal retirement benefits and military benefits are exempt only for those who had five or more years of creditable service as of August 12, 1989.

NORTH DAKOTA: SS exempt if AGI is (S) \$50,000 or less or (MFJ) \$100,000 or less. Military retirement benefits are exempt. All other retirement income is fully taxed.

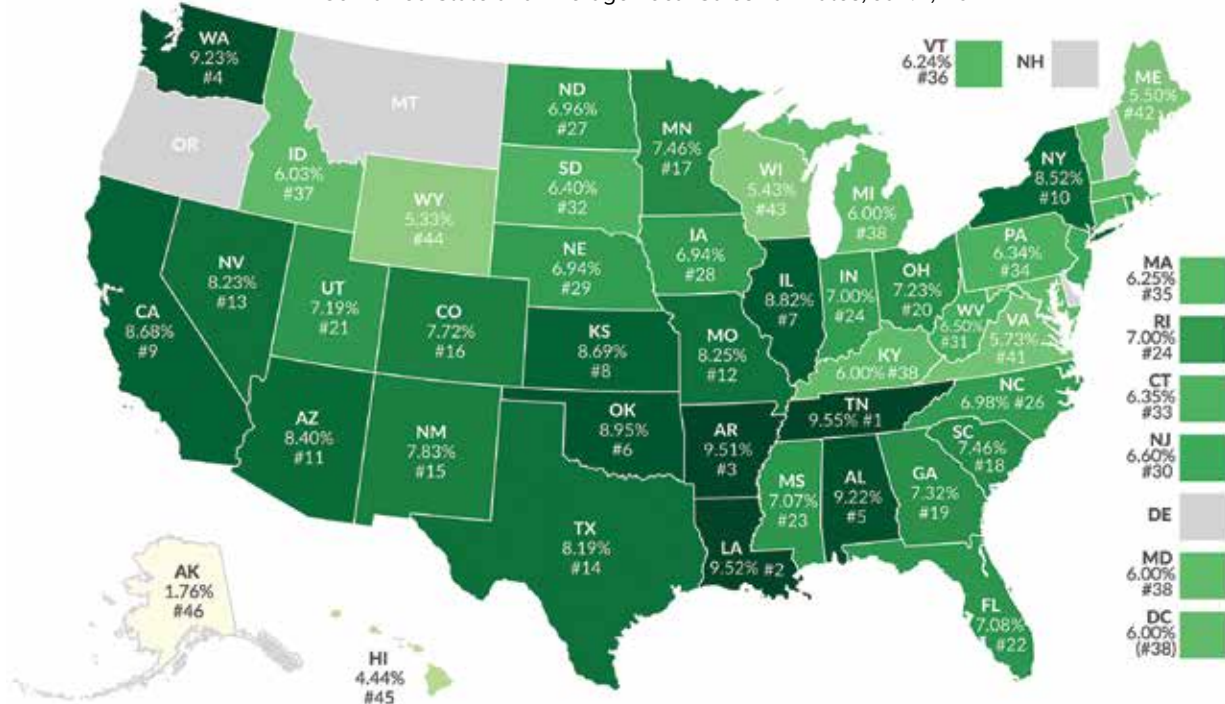
OHIO: SS and military pensions are exempt. General retirement income credit available starting at \$25 if qualifying retirement income is at least \$501; the credit tops out at \$200 if qualifying retirement income is \$8,001 or more. Residents age 65+ are entitled to a \$50 tax credit per return. Taxpayers who served in the military and receive a federal civil service retirement pension are

eligible for a limited deduction if any portion of their federal retirement pay is based on credit for their military service. These retirees can deduct the percentage (in terms of years of service) of the amount of their federal retirement pay that is attributable to their military service.

OKLAHOMA: SS is exempt. Each individual may exclude 100 percent of retirement benefits received from CSRS, including survivor benefits, paid in lieu of SS to the extent that these benefits are included in the federal AGI. Retirement benefits paid under FERS do not qualify

How High Are Sales Taxes in Your State?

Combined State and Average Local Sales Tax Rates, Jan. 1, 2021



City, county and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Sources: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites

Combined State & Average Local Sales Tax Rates



for this exclusion. However, for retirement benefits containing both a FERS and a CSRS component, the CSRS component will qualify for the exclusion. Individuals may exclude their FERS retirement benefits or other qualifying retirement income up to \$10,000. Individuals may exclude the greater of 75 percent of their military retirement benefits or \$10,000. Additional personal exemption of \$1,000 for age 65+ if federal AGI is \$15,000 or less (single), \$25,000 or less (MFJ), \$12,500 or less (MFS), or \$19,000 or less (HH).

OREGON: SS is exempt. Federal pension income of those individuals who retired before Oct. 1, 1991, are not taxed. Those who retired after Oct. 1, 1991, are taxed only on that portion of the annuity attributable to government service after Oct. 1, 1991. TSP withdrawals made during retirement are eligible for federal pension income subtraction based on dates of service. If the taxpayer moves money from a TSP to another type of account, the account loses its character and future withdrawals would not be eligible for subtraction from taxable income. Taxpayers age 62+ may qualify for retirement income credit if household income is below \$22,500 (or \$45,000 if MFJ). Additional standard deduction if age 65+ of \$1,200 (single, HH), \$1,000 each spouse age 65+ (MFJ, MFS and QW).

PENNSYLVANIA: SS, federal civil service retirement benefits, military retirement benefits and employer-sponsored retirement plan benefits are exempt. Distributions from a 401(k) plan, IRA or Thrift Savings Plan are exempt for retirees 59½/2+.

RHODE ISLAND: SS is only exempt for MFJ with federal AGI of \$107,950 or less; \$86,350 or less for single taxpayers. Those age 65+ may only exempt up to \$15,000 of qualified pension or retirement income if they have a federal AGI of \$105,850 or less (MFJ) or \$84,700 or less (single).

SOUTH CAROLINA: SS is exempt. Those 65+ may deduct \$10,000 of qualified retirement income. Those under age 65 may deduct \$3,000 of other qualified retirement income (including federal retirement plans). All individuals age 65+ are entitled to a \$15,000 (single) or \$30,000 (MFJ) senior deduction from income, reduced by any deduction claimed for qualified retirement income. Military retirees under age 65 may deduct up to \$17,500 of military retirement income.

TENNESSEE: SS is exempt. Tax only applies to certain interest and dividend income, not wages, salary or earnings from federally recognized retirement accounts. An exemption of \$1,250 (\$2,500 if MFJ) is allowed against total taxable interest. Anyone age 65+ is exempt if total annual income from all sources is \$37,000 or less (\$68,000 or less for MFJ); those age 100+ are exempt regardless of income. Note: tax will be fully repealed in tax year 2021.

UTAH: Taxpayers born on or before Dec. 31, 1952, may be entitled to a retirement credit of up to \$450 (\$900 MFJ). The credit is phased out at 2.5 cents per dollar of modified AGI over \$16,000 (MFS), \$25,000 (single) and \$32,000 (MFJ, HH).

VERMONT: SS only exempt for single filers making less than \$45,000 a year (\$60,000 MFJ);

partially exempt with income up to \$55,000 (\$70,000 MFJ). With the exception of Railroad Retirement benefits, pensions and retirement income are fully taxed. Taxpayers 65+ eligible for additional deduction of \$1,050.

VIRGINIA: SS is exempt. Taxpayers age 65+ may claim an age deduction: Those born on or before Jan. 1, 1939, may claim an age deduction of \$12,000. Those born between Jan. 2, 1939, and Jan. 1, 1955, will have the \$12,000 deduction reduced by \$1 for every \$1 that federal AGI exceeds \$50,000 (single) or \$75,000 (MFJ, MFS). Additional personal exemption of \$800 if age 65+.

WEST VIRGINIA: Residents can exempt \$2,000 of civil and state pensions. Military retirement income and federal law enforcement income is exempt. Taxpayers age 65+ may exclude the first \$8,000 (S) or \$16,000 (MFJ) of remaining nonexempt income.

WISCONSIN: SS and military retirement benefits are exempt, as is retirement pay related to service with the Coast Guard or the respective commissioned corps of the National Oceanic and Atmospheric Administration or the Public Health Service. CSRS/FERS pay is exempt if the individual's account was established prior to 1964 or if the individual is receiving payments from the system as a beneficiary of such an account. If age 65+, may exempt up to \$5,000 of retirement income if federal AGI is less than \$15,000 (S, HH) or \$30,000 (MFJ or MFS). Personal exemption of \$700 and additional exemption of \$250 if age 65+. ■