

State Income Taxes on Retirement Income in Selected States

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Issue

How do the New England states, New York, and New Jersey treat retirement income for personal income tax purposes? This report updates OLR Report [2017-R-0040](#).

State Income Taxes on Retirement Income

Table 1 briefly indicates how the selected states tax retirement income from (1) private pensions, (2) government and military pensions, and (3) Social Security. As it shows, the states vary considerably in how they treat this income.

- Connecticut, Maine, New Jersey, New York, and Rhode Island exempt a portion of private pension income, depending on a taxpayer's income and filing status.
- Massachusetts and New York fully exempt state and local pensions that originate from their respective states. Massachusetts also exempts other state and local pensions if the other state has a specific deduction or exemption that applies to Massachusetts pensions.
- Vermont taxes all retirement income, except Social Security.
- Connecticut, Maine, Massachusetts, New Jersey, and New York fully exempt military pensions.
- Maine, Massachusetts, New Jersey, and New York exempt all Social Security income; Connecticut, Rhode Island, and Vermont exempt some or all such income depending on a taxpayer's income and filing status.
- New Hampshire taxes only dividend and interest income and was thus excluded from the table

Table 1: Retirement Income Exemptions in Selected States

Selected States	Private Pensions and Other Retirement Income	State and Local Pensions	Federal Civil Service Pensions	Military Pensions	Social Security
Connecticut	<p>14% exemption (see below) for qualifying retirement income if federal AGI is less than:</p> <ul style="list-style-type: none"> \$75,000 for single filers, married filing separately, or heads of household \$100,000 for joint filers <p>Exemption increases to 28% for 2020, 42% for 2021, 56% for 2022, 70% for 2023, 84% for 2024, and 100% for 2025 and thereafter</p>	<p>25% of income received from the state Teachers' Retirement System (increases to 50% beginning in 2021)</p> <p>Other state and local pensions treated the same as private pensions</p>	Same as private pensions	100%	<p>100% of federal taxable benefits if federal AGI is less than:</p> <ul style="list-style-type: none"> \$75,000 for single filers or married filing separately \$100,000 for joint filers or heads of household <p>At least 75% of Social Security benefits received is exempt if federal AGI is equal to or greater than these income thresholds</p>
Maine	\$10,000 exemption (\$20,000 for joint filers), reduced by any Social Security and railroad retirement benefits received			100%	100%
Massachusetts	Taxable	100% for Massachusetts state and local pensions; pensions from other states exempted if the state exempts Massachusetts pensions or has no income tax	100%	100%	100%
New Jersey	<p>100% exemption for taxpayers age 62 or older with total incomes of \$100,000 or less, up to the following amounts:</p> <ul style="list-style-type: none"> \$80,000 for joint filers \$60,000 for single filers and heads of households \$40,000 for married filing separately Beginning in 2020, maximum income exclusions increase to \$100,000; \$75,000; and \$50,000, respectively <p>Taxpayers who do not claim the maximum pension exclusion amount may be able to use the unclaimed portion of the pension exclusion to exclude other types of income (wages, interest, dividends, etc.)</p> <p>Special exclusion also applies to taxpayers who will never receive Social Security or railroad retirement benefits (\$6,000 or \$3,000, depending on filing status)</p>			100%	100%

Table 1 (continued)

<i>Selected States</i>	<i>Private Pensions and Other Retirement Income</i>	<i>State and Local Pensions</i>	<i>Federal Civil Service Pensions</i>	<i>Military Pensions</i>	<i>Social Security</i>
New York	\$20,000 for taxpayers 59 ½ or older	100% for New York state or local pensions Out-of-state pension income treated the same as private pensions	100%	100%	100%
Rhode Island	\$15,000 of qualifying retirement income for taxpayers who have reached the Social Security full retirement age (i.e., born on or before January 1, 1954) and have a federal AGI at or below the following limits (annually adjusted for inflation): <ul style="list-style-type: none"> • \$83,450 for single filers and heads of households • \$104,350 for joint filers • \$83,475 for married filing separately 				100% of federal taxable benefits if federal AGI is less than the following limits (annually adjusted for inflation): <ul style="list-style-type: none"> • \$85,150 for single filers, heads of household, or married filing separately • \$106,400 for joint filers
Vermont	Taxable				100% of federal taxable benefits if federal AGI is less than: <ul style="list-style-type: none"> • \$45,000 for single filers, heads of household, or married filing separately • \$60,000 for joint filers Exemption phases down for taxpayers with incomes above these levels, with no exemption available once income reaches \$50,000 or \$70,000 respectively

Source: State tax forms and instructions

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