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13 states that don't tax your retirement income

Story by Brian Baker, 7-9-2025

When their working days eventually come to an end, many retirees will think about the best place to spend their golden years. Not all states treat retirement income — such as pension payouts or distributions from 401(k) plans and IRAs — the same way, which makes state and local taxes a key consideration for anyone expecting to be on a fixed income during this time.

Here's what you need to know about how different states tax retirement income, including the states where you won't pay taxes at all.**States with no income tax**

Retirement distributions from 401(k) plans or IRAs are considered income for tax purposes.

Fortunately, there are several places with no state income tax:

- Alaska
- Florida
- New Hampshire
- Nevada
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming

New Hampshire previously taxed interest and dividend payments, but that tax has been repealed starting with the 2025 tax year.

Washington does have a capital gains tax, though there are exemptions and deductions that may eliminate or lower the amount that is owed.

States with an income tax that don't tax retirement income

In addition to the nine states above that don't have an income tax at all, four states do not tax retirement income: Illinois, Iowa, Mississippi and Pennsylvania.

Illinois

Illinois charges a flat state income tax of 4.95 percent, but all retirement income is exempt from paying the tax. This includes pension payments, as well as distributions from retirement plans such as 401(k)s and IRAs. Social Security payments are also exempt.

Iowa

As of 2023, Iowa residents over the age of 55 are no longer taxed on their retirement income thanks to a 2022 law. Iowa now has a flat rate of 3.8 percent on taxable income after a new law was passed in May 2024.

Mississippi

Mississippi state income tax rates are 0 percent on the first $10,000 of taxable income and 4.4 percent on income above that level for the 2025 tax year, but retirement income is not taxed as long as you've met the plan requirements. This means that early distributions from retirement plans may not qualify as retirement income and could be subject to tax and a penalty. The tax rate is set to be reduced gradually to 3 percent by 2030, with further decreases until the tax is eliminated entirely. The rate will fall to 4 percent in 2026.

Pennsylvania

Pennsylvania charges personal income tax at a flat rate of 3.07 percent. Retirement income is not taxed in Pennsylvania as long as plan requirements are met. Withdrawals from retirement plans such as IRAs prior to reaching the necessary age (59 1/2) may result in taxes.

States that don't tax Social Security

Forty-one states plus the District of Columbia do not tax Social Security income for retirees.

Kansas, Missouri and Nebraska are three of the most recent states to eliminate taxes on Social Security and others are in the process of phasing out the tax.

Here are the 41 states that don't tax Social Security income:

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana

- Maine
- Maryland
- Massachusetts
- Michigan
- Mississippi
- Missouri
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New York
- North Carolina

- North Dakota
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- South Carolina
- South Dakota
- Tennessee
- Texas
- Virginia
- Washington
- Wisconsin
- Wyoming

The nine states that tax Social Security benefits include: Colorado, Connecticut, Minnesota, Montana, New Mexico, Rhode Island, Utah, Vermont and West Virginia. The amount you're taxed in some of these states is based on your adjusted gross income (AGI) and filing status. West Virginia is phasing out its tax on Social Security benefits and will eliminate it entirely in 2026.

Other retirement income tax issues

While the states listed above don't tax retirement income at all, there are other states that provide some exemptions. Several states don't tax military retirement pay, while other states treat pension income differently than distributions from retirement plans such as 401(k)s or IRAs.

Be sure to understand the tax implications of living in a state before deciding where to retire. Taxes on retirement income are one element of the equation, but you'll also want to consider things like sales and property taxes to get a complete picture. You may ultimately decide that paying more in taxes is worth it to you if a state offers other benefits that make up for the higher cost.

Bottom line

If you're looking to avoid paying state taxes on your retirement income, you'll have 13 states to choose from, while many others offer exemptions of some sort. Make sure to understand the tax situation in a state before deciding to relocate there. While lowering your tax bill may help you enjoy a more comfortable retirement, it's not the only factor worth considering.