

2026-3-19

GTK

## Which 13 states don't tax retirement income?

Story by Keith Speights 2026-3-19

### Key Points

- Nine states don't have income taxes.
- Another four states don't tax income from retirement accounts.
- However, retirees could pay more in other ways in several of these states that don't tax retirement income.
- The \$23,760 Social Security bonus most retirees completely overlook > ✓

There's a saying that the most important thing in retail is "location, location, location." The statement is true. A retailer's location can make the difference between success and failure.

You could make an argument that location is the most important thing in retirement, too. Where you live during your retirement years can make a significant difference in how much money you have to spend.

In particular, your domicile could significantly impact your taxes. You won't have to pay any state taxes on retirement income if you live in one of 13 states.

### The "no-tax nine"

Most U.S. states partially fund their government functions by taxing income. Paying both federal and state income taxes has become the accepted norm for many Americans. However, a few states are outliers.

Nine states don't tax any income at all. The list of tax havens currently includes:

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

There's a minor catch in one of these states, though. Some retirees may still pay taxes on a portion of the money they make if they reside in the state of Washington.

6

The state subjects the first \$1 million of capital gains to a 7% tax. Capital gains exceeding \$1 million are taxed at an additional rate of 2.9%. However, Washington state doesn't consider capital gains as personal income. None of the other eight states with no income taxes levies taxes on capital gains. Note

### Four more retirement tax havens

If you're retired, you don't have to live in those nine states to avoid paying income taxes. Four more states don't tax retirement income:

- Illinois
- Iowa
- Mississippi
- Pennsylvania

What do these states classify as retirement income? To begin with, Social Security benefits. That shouldn't be surprising, considering that 41 states don't tax Social Security retirement benefits. However, Illinois, Iowa, Mississippi, and Pennsylvania also don't levy taxes on income that retirees receive from Individual Retirement Accounts (IRAs), 401(k) plans, annuities, or pensions. Note

Keep in mind, though, that when you retire can make a difference. Both Mississippi and Pennsylvania may subject early distributions from retirement accounts to state income taxes. For example, if you decided to retire really early and withdrew money from an IRA before you reached the age of 59 and 1/2, this income would still be subject to income taxes in these two states.

### The bad news for retirees

Even if you live in one of these 13 states that don't tax retirement income, you won't be able to fully escape the tax man. Uncle Sam doesn't care where your home is. He wants his take of your income regardless of where you live.

By the way, don't be fooled by reports that retirees no longer have to pay taxes on Social Security benefits. It's true that the "One, Big Beautiful Bill" included an additional tax deduction for seniors. This tax deduction will reduce the tax liability for many retirees. However, some older individuals will still be required to pay federal taxes on their Social Security benefits. Importantly, the tax deduction is only temporary. It goes away after 2028. Note

Also, the states that don't tax retirement income still have to pay their bills somehow. Retirees living in these states may have to pay more in other ways.

For example, Texas doesn't have a state income tax, but its property taxes rank sixth-highest in the U.S. Tennessee doesn't tax income, but it has the second-highest sales tax rate. Washington state has the fourth-highest sales tax. Mississippi doesn't tax retirement income, but its car tag fees are the second-highest in the nation.

*Note*  
Taxes shouldn't be the only consideration for retirees, either. Two of the 13 states that don't tax retirement income – Alaska and Washington – rank No. 6 and No. 7, respectively, for having the highest cost of living.

Still, the retailers' mantra remains applicable to retirees. "Location, location, location" is important.

### **The \$23,760 Social Security bonus most retirees completely overlook**

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known "**Social Security secrets**" could help ensure a boost in your retirement income.

**One easy trick could pay you as much as \$23,760 more...** each year! Once you learn how to maximize your Social Security benefits, we think you could retire confidently with the peace of mind we're all after. Join *Stock Advisor* to learn more about these strategies.

**View the "Social Security secrets" »**

*The Motley Fool has a [disclosure policy](#).*

