

Money Matters

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Skloff Financial Group Question of the Month

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Q: We read ‘Pre-tax Versus Roth Contributions to Retirement Accounts – Which Is Better?’ Part 1 and Part 2 and ‘Does Your State Tax Pre-Tax Contributions to Retirement Accounts?’ Part 1 and Part 2 and ‘Does Your State Tax Withdrawals from Pre-Tax Retirement Accounts?’ Part 1. Are withdrawals from pre-tax retirement accounts taxed the same in all states?

The Problem – Assuming Federal Income Tax Rules and State Income Tax Rules Are the Same Can Be a Costly Mistake

Federal income tax rules can vary greatly from state income tax rules. Without proper planning, you may pay unnecessary income taxes.

The Solution – Proper Planning Can Avoid Unnecessary State Income Taxes Today and in the Future

Pre-tax contributions to retirement accounts allow you to defer federal income taxes. With proper planning you can generate legal tax arbitrage of federal and state income taxes.

States with No State Income Tax. Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming. See the **green** colored states on the table below.

States with No State Income Tax on Retirement Account Withdrawals. Illinois, Iowa, Mississippi and Pennsylvania. See the **blue** colored states on the table below.

States that Tax Retirement Account Withdrawals. Arizona, District of Columbia, Hawaii, Idaho, Kansas, Minnesota, Nebraska, North Carolina, North Dakota, Oregon, Vermont and Virginia. See the **red** colored states on the table below.

States that Provide a Tax Deduction or Exclusion or Exemption on Retirement Account Withdrawals. Alabama, Arkansas, Colorado, Connecticut, Delaware, Georgia, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, New Jersey, New Mexico, New York, Ohio, Oklahoma, Rhode Island, South Carolina, Utah, West Virginia and Wisconsin. See the **yellow** colored states on the table below.

State	No State Income Tax	No State Income Tax on Retirement Account Withdrawals	State Income Tax on Retirement Account Withdrawals	State Income Tax Deduction or Exclusion or Exemption on Retirement Account Withdrawals
AL - Alabama				65+ \$6,000 exempt
AK - Alaska	No State Income Tax			
AZ - Arizona			State Income Tax on Retirement Account Withdrawals	
AR - Arkansas				59.5+ \$6,000 deduction
CA - California			State Income Tax on Retirement Account Withdrawals	
CO - Colorado				55+ \$20,000 deduction, 65+ \$24,000
CT - Connecticut				75% exemption, subject to income limits: single below \$75,000
DE - Delaware				phases out \$100,000, joint below \$100,000, phases out
DC - District of Columbia			State Income Tax on Retirement Account Withdrawals	60+ \$12,500 deduction
FL - Florida	No State Income Tax			
GA - Georgia				62+ \$35,000 exclusion, 65+ \$65,000
HI - Hawaii			State Income Tax on Retirement Account Withdrawals	
ID - Idaho			State Income Tax on Retirement Account Withdrawals	
IL - Illinois		No State Income Tax on Retirement Account Withdrawals		
IN - Indiana			State Income Tax on Retirement Account Withdrawals	
IA - Iowa		No State Income Tax on Retirement Account Withdrawals		
KS - Kansas			State Income Tax on Retirement Account Withdrawals	
KY - Kentucky				\$31,110 exclusion
LA - Louisiana				65+ \$12,000 exclusion
ME - Maine				\$48,216 deduction, subject to pension income deduction and
MD - Maryland				adjustments due to Social Security benefits
MA - Massachusetts				65+ \$32,100 exemption
MI - Michigan				Deduction for already-taxed IRA contributions
MN - Minnesota			State Income Tax on Retirement Account Withdrawals	59-79 75% deduction, 80+ 100% deduction
MS - Mississippi		No State Income Tax on Retirement Account Withdrawals		
MO - Missouri				\$6,000 deduction if Missouri Adjusted Gross Income (MAGI)
MT - Montana				less than \$25,000 single or \$32,000 joint
NE - Nebraska			State Income Tax on Retirement Account Withdrawals	65+ \$5,500 deduction
NV - Nevada	No State Income Tax			
NH - New Hampshire	No State Income Tax			
NJ - New Jersey				62+ \$75,000 deduction single filers, \$100,000 joint filers, as
NW - New Mexico				long as your federal AGI doesn't exceed \$150,000
NY - New York				65+ \$8,000 deduction
NC - North Carolina			State Income Tax on Retirement Account Withdrawals	59+ \$20,000 exemption
ND - North Dakota			State Income Tax on Retirement Account Withdrawals	
OH - Ohio				65+ \$200 credit if modified AGI less than \$100,000
OK - Oklahoma				\$10,000 exclusion
OR - Oregon			State Income Tax on Retirement Account Withdrawals	
PA - Pennsylvania		No State Income Tax on Retirement Account Withdrawals		
RI - Rhode Island				\$50,000 single or \$100,000 joint, subject to income limits:
SC - South Carolina				\$104,200 single or \$130,250 joint, exceeding the limit by \$1
SD - South Dakota	No State Income Tax			Under age 65 \$3,000, 65+ \$10,000 deduction
TN - Tennessee	No State Income Tax			
TX - Texas	No State Income Tax			
UT - Utah				\$450 credit single or \$900 for joint, phaseout at incomes of
VT - Vermont			State Income Tax on Retirement Account Withdrawals	\$25,000 for single or \$32,000 joint
VA - Virginia			State Income Tax on Retirement Account Withdrawals	
WA - Washington	No State Income Tax			
WV - West Virginia				65+ \$8,000 deduction
WI - Wisconsin				65+ \$5,000 deduction, subject to income limits. \$15,000
WY - Wyoming	No State Income Tax			single, \$30,000 joint

Action Steps

Work closely with your Registered Investment Adviser (RIA) to optimize your taxes, and pay the lowest tax rates in the current tax year and future tax years.

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