THE BEST STATES TO RETIRE FROM A TAX PERSPECTIVE 2023

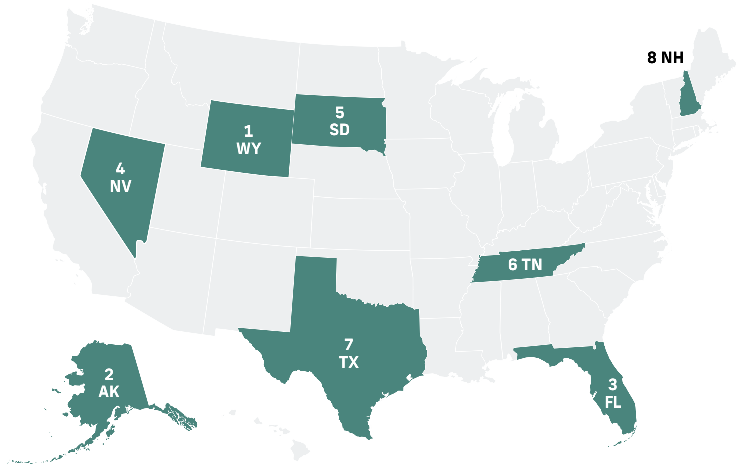
The Tax Cuts and Jobs Act of 2017 raised the estate tax exemption to more than $11 million (as of the publication of this article, the Federal estate tax exemption has risen to $12.92 million due to inflation adjustments and is projected to eclipse $13.6 million starting in 2024). While this higher Federal estate tax exemption is set to return to lower, pre-TCJA of 2017 levels beginning in 2026, the current focus is on state-level estate taxes which, if ignored, could result in diminished generational wealth.

Financial Considerations

Of course, you have a choice when it comes to where you live and are taxed. And since each state's tax structure is different, it can affect the preservation of retirement income and family wealth in material ways. For this 2023 update, we looked at the taxes that are most likely to affect high-net-worth retirees, reviewing categories like income, sales, real estate and estate taxes. What we found is that when it comes to state tax planning, heading west or to Key West may still be the way to go.

Top 8 States for Retiring from Overall Tax Perspective

1. Wyoming
2. Alaska
3. Florida
4. Nevada
5. South Dakota
6. Tennessee
7. Texas
8. New Hampshire



The Information provided here reflects Corient's own opinion based on its internal analysis of tax laws that were current at the time the article was written. Tax laws and Corient's opinion are subject to change without notice.

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The Top States for Retiring with Minimal Taxes

We believe high-income and high-net-worth retirees enjoy the best overall tax environments in **Alaska**, **Florida**, **Nevada**, **South Dakota**, **Tennessee**, **Texas** and **Wyoming** since those states do not levy income, estate, inheritance or gift taxes. Also, they stack up well in most other tax categories, except for **Nevada** (high sales taxes) and **Texas** (high real estate tax). **New Hampshire** is also very advantageous except for taxes on interest and dividends. Other states also have favorable tax systems, but not in every category like these.

Ranking All Taxes: 2023 Update

Top 1/3

States	Current Rank 2023	Prior Rank 2021	Community Property State[1]	W-2	Capital Gains	Interest Dividends	IRA	Pension	Social Security	Combined Sales Tax Rate[3]	Real Estate Tax % of Home Value[4]	Estate Tax Rate
WY	1	1		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.44%	0.56%	0.00%[5]
AK	2	2	C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.81%	1.04%	0.00%[5]
FL	3	3		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.02%	0.91%	N/A
NV	4	4		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.24%	0.59%	0.00%[5]
SD	5	5	C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.11%	1.17%	0.00%[5]
TN	6	6		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.55%	0.67%	N/A
TX	7	7	C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.20%	1.68%	0.00%[5]
NH	8	8		0.00%	0.00%	5.00%	0.00%	6.60%	0.00%	0.00%	1.93%	0.00%[5]

[1] AK: may opt-in. AK, FL, KY, SD, TN: may form community property trust.
[2] See endnote.
[3] Sum of State Rate and Avg. Local Tax Rate, July 2023. Source: Tax Foundation.
[4] 2021. Source: Tax Foundation.
[5] No Tax since tied to Federal State Death Tax Credit was eliminated in 2005.

The Top States for Retirees with High Income from Social Security, IRAs and Qualified Plans

Retirees who enjoy high income from individual retirement accounts and other qualified retirement plans need to consider:

1. Income tax on that income
2. Whether an inheritance or estate tax may affect assets at the owner's death

Many states do not tax Social Security income, and the following go further by also not taxing IRA and qualified plan income: **Alaska**, **Florida**, **Mississippi**, **Nevada**, **New Hampshire**, **South Dakota**, **Tennessee**, **Texas** and **Wyoming**. It's worth noting, too, that while **Illinois** and **Washington** also do not tax these types of income, they do have estate taxes.

The Best States for Retirees with High Investment Income

Those who depend on interest, dividend and capital gain income in retirement benefit from living in states that do not tax that income, like **Florida**, **Alaska**, **South Dakota**, **Tennessee**, **Texas**, **Nevada**, **Washington** and **Wyoming**. Of course, with a federal 3.8% Medicare surtax on investment income, closer attention must be paid to the total tax levied on this important source of retirement income. It is also worth noting that through creative trust planning, individuals may be able to "park" investments in trusts located in these states.

There are many considerations that go into determining the best place for each individual to retire. To gain more information on where may be best for you, contact us for a free consultation. Or if you'd like to get more information on current strategies for minimizing estate and income taxes, reach out to us to receive our full guide.