

TOOL | November 2019

State-by-State Guide to Taxes on Retirees

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PENNSYLVANIA

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The Bottom Line

Not Tax Friendly

Like neighboring New Jersey, Pennsylvania takes it very easy on retirement income. Furthermore, the local income taxes that can range as high as 3.9% (in Philadelphia) taxes don't affect retirees either, as they're levied on *wages*. Nonetheless, the property tax burden is one of the heaviest in the country. Though a Property Tax/Rent Rebate program is available, it comes with income limits.



State Sales Tax

6% state levy. Philadelphia has a local sales tax of an additional 2%, and Allegheny County (Pittsburgh's home county) adds a local sales tax of 1%, bringing the population-weighted average to 6.34%, as measured by the Tax Foundation.

Income Tax Range

Pennsylvania has a flat rate of 3.07%. However, municipalities tax earned income, too. According to the Tax Foundation, the average levy is 2.95%.

Social Security

Benefits are not taxed.

Exemptions for Other Retirement Income

Income from private employer, government, and military retirement plans paid after the taxpayer become eligible to retire is exempt.

Railroad Retirement benefits are also exempt.

Property Taxes

In Pennsylvania, residents pay an average of \$1,674 in taxes per \$100,000 of assessed home value.

Tax breaks for seniors: Homeowners and renters 65 or older and widows or widowers 50 or older who live on limited incomes are eligible for rebates of paid property tax or rent. A maximum standard rebate of \$650 (supplemental rebates can boost the amount to \$975 for homeowners with particularly high tax burdens) is available through this Property Tax/Rent Rebate Program. To qualify, annual household income must not exceed \$35,000 (\$15,000 for renters). Fifty percent of Social Security payments and 50% of Railroad Retirement benefit payments are excluded from eligibility income.

Vehicle Taxes

Sales tax is due on purchases.

Inheritance and Estate Taxes

Pennsylvania's inheritance tax doesn't apply to heirs who inherit property from a spouse or child aged 21 or younger. The tax is imposed at a 4.5% rate on property inherited by direct descendants and lineal heirs. The Pennsylvania tax is imposed at a 12% rate for people who inherit property from a sibling and at a 15% rate for all other heirs. A 5% discount is allowed if Pennsylvania inheritance taxes are paid within three months of the decedent's death.

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Retirement Income Calculator ⁱ

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Annual Income ⁱ

\$ 91,918

Current Savings ⁱ

\$ 25,000

Monthly Savings ⁱ

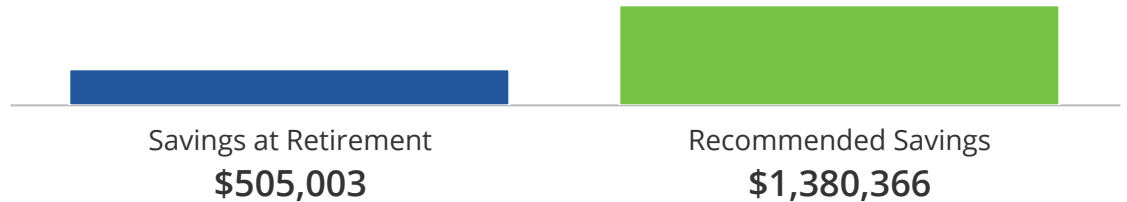
\$ 459

6% of income

Birth Year

1985

We recommend saving **\$1,380,366** at retirement. This will cover **\$131,234** per year in retirement income. [Follow this link to see your 3 financial advisor matches](#)

Retirement Age ⁱ 66

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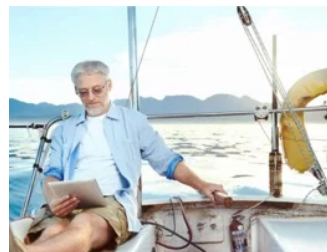
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