

TOOL | November 2019

# State-by-State Guide to Taxes on Retirees

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## VIRGINIA

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### The Bottom Line

#### Tax-Friendly

The Old Dominion offers some tax breaks to retirees. It does not tax Social Security benefits, and residents 65 and older can deduct up to \$12,000 per person of income, subject to income-eligibility limits. Virginia's property taxes are modest (with breaks for seniors available), and its sales tax low.



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### State Sales Tax

5.3% state levy, including 1% that is allocated to local governments. Northern Virginia and the Hampton Roads area have an additional 0.7% sales tax to pay for transportation improvements, giving the state an average combined rate of 5.65%, according to the Tax Foundation. Groceries are taxed at 2.5% statewide.

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### Income Tax Range

**Low:** 2% (on up to \$3,000 of taxable income)

**High:** 5.75% (on taxable income over \$17,000)

**Effective tax rate:** 4.83% for single filers, 5.38% for joint filers

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## Social Security

Benefits are not taxed.

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## Exemptions for Other Retirement Income

Income from a retirement plan may be deductible if contributions to the plan were previously taxed in another state.

In addition, taxpayers age 65 and older can claim a deduction of up to \$12,000. For taxpayers born after January 1, 1939, the deduction is completely phased-out for single taxpayers with a modified adjusted gross income of \$62,000 or more and married taxpayers with a modified AGI of \$87,000 or more.

Congressional Medal of Honor recipients can exclude income from a military retirement plan.

Railroad Retirement benefits are also exempt.

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## Property Taxes

In Virginia, residents pay \$858 in taxes per \$100,000 of assessed home value.

**Tax breaks for seniors:** A county, city or town may enact a program for senior citizens and disabled persons allowing for exemption, deferral or a combination of both for property taxes on homes owned and occupied as the sole dwelling of a person 65 or older. Annual family income is generally limited to \$50,000 to qualify for a program, but it may be higher in certain Northern Virginia communities. In addition to annual family income limits, net worth limits may apply. There are no adjustments at the state level.

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## Vehicle Taxes

A 4.15% “motor vehicle tax” applies to purchases; this is lower than the prevailing sales tax.

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Vehicles are also subject to an annual vehicle personal property tax. Localities assess

vehicles and administer the tax. For example, the current tax rate for vehicles in Fairfax County is \$4.57 for each \$100 of assessed value. Depending on the county, city or town where the vehicle is assessed, people 65 and older and disabled individuals who meet income requirements may be eligible for tax relief. There's also tax relief available for owners of cars assessed at lower values, which is determined by the locality.

## Inheritance and Estate Taxes

None.

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## Retirement Income Calculator <sup>i</sup>

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Annual Income <sup>i</sup>

\$ 91,918

Current Savings <sup>i</sup>

\$ 25,000

Monthly Savings <sup>i</sup>

\$ 459

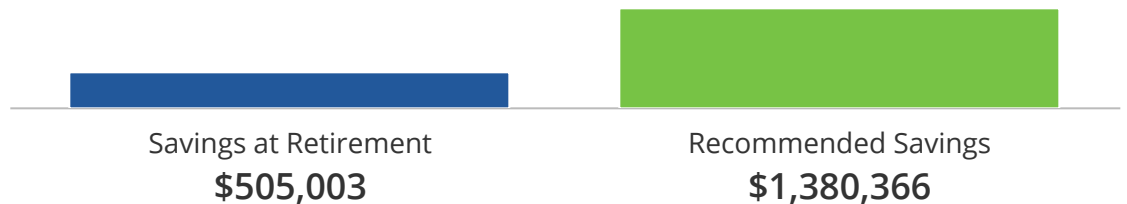
6% of income

Birth Year

1985

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Retirement Age <sup>i</sup> 66



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