

real estate

10 great low-tax places to retire



Picking a retirement location with low taxes gives you more cash to spend exploring the surrounding scenic beauty, taking in local nightlife or hoarding your hard-earned dough for future expenses. It can also help retirees on fixed incomes better cope with food, gas and utility costs.

By U.S. News & World Report



Nashville, Tenn. boasts a low state and local tax burden for retirees. © Photodisc/SuperStock

Full-time work is often taxing. Retirement shouldn't be. Americans will spend more on taxes in 2008 than on food, clothing and housing combined, according to Tax Foundation President Scott Hodge. In 2008, Americans worked 74 days to pay their federal taxes and 39 days more to cover state and local levies, the Tax Foundation calculated.

There's not much you can do about the federal taxes if you want to live in the United States, but the state and local tax burden varies considerably. The most expensive state and local taxes are typically sales and excise taxes (14 days' pay), property taxes (12 days' pay) and income tax (10 days' pay).

To find low-tax places to retire, U.S. News & World Report cranked up its Best Places to Retire search tool. U.S. News sifted through more than 2,000 U.S. places to find locales that have relatively low taxes but also offer amenities important to retirees, such as a reasonable cost of living and fine recreational and cultural choices. Many of the low-tax retirement havens have no state sales tax, such as Billings, Mont., or no state income tax, such as Sioux Falls, S.D. There's nothing like zero tax to make your retirement dollar go further.

more from USNews.com

- [10 bargain retirement spots](#)
 - [Best places to retire](#)
 - [Find the best place to retire for you](#)
-

What's your home worth?

Wyoming.) Stafford also has the lowest sales tax in the Houston area.

One low-tax retirement gem, Stafford, Texas, a suburb of Houston, eliminated its property tax in 1995. Texas is also one of seven states with no income tax. (The others are Alaska, Florida, Nevada, South Dakota, Washington and

[Slide show: 10 great tax havens for retirees](#)

Seniors looking to maximize their fixed income may also want to give Manchester, N.H., a look. There is no sales tax or traditional income tax, but New Hampshire does levy a 5% tax on interest and dividend income of more than \$2,400 annually (\$4,800 for couples). Residents ages 65 and older pay tax only on amounts of more than \$3,600, and that's outside your retirement accounts. Withdrawals from retirement accounts are not taxed in New Hampshire.

Many retirement locales offer tax perks specifically for seniors. Nashville-Davidson County, Tenn., for example, was the first jurisdiction in the state to allow homeowners who are 65 or older and who earn less than a certain income level — \$35,390 in 2007 — to freeze the amount of property tax due on their primary residence in the year they qualify, even if tax rates increase later. The frozen dollar amount will rise if the owner sells or makes improvements to the house. If the house drops in value and the current taxes become lower than the frozen amount, homeowners pay the lower amount. And like New Hampshire, Tennessee also doesn't tax earned income, just dividends and interest.

[Read: How to find a low-tax place to retire](#)

Low-tax towns don't have to be dull. Doral, Fla., is home to the Doral Golf Resort & Spa, which hosts a PGA tournament every year. And Henderson, Nev., Las Vegas' less glittery cousin, is only a short drive from the Strip, Hoover Dam and Lake Mead. Businesses often flock to tax-friendly cities. And thriving local economies are sure to help retirees find second careers and start small businesses. The business-friendly tax structure of Spokane, Wash., is key to attracting prime technology jobs to the area. After work, retirees can stroll along the Spokane River, which runs through the center of town, or hike in the nearby mountains.

Home affordability calculator

Some cities, like Cheyenne, Wyo., try to slash their budgets rather than increase taxes. In October, Cheyenne Mayor Jack Spiker announced a hiring freeze on nonessential personnel, a reduction of out-of-town travel and a review of equipment expenditures. "Just like taxpayers, the city needs to tighten its financial belt during these times of economic uncertainty," he says. By leaving vacant positions open until the end of the year, the city estimates it will save \$3,160 a month per entry-level employee and \$5,050 a month for each vacant midlevel position.

[Read: High-tax places to live](#)

Perhaps the most tax-friendly state for retirees is Alaska. The largest state in the union is the only one without any kind of income or sales tax. The city of Juneau levies a 5% sales tax, but people 65 and older who have lived in the city for at least 30 days and plan to remain indefinitely in the state can get a Senior Sales Tax Exemption Card for a \$20 application fee. Those over 65 may also be eligible for a senior-citizen property tax exemption on the first \$150,000 of assessed value. All Alaska residents with at least one year in the state also receive annual Alaska Permanent Fund dividends. The payout was an unusually high \$3,269 in 2008, but even more typical dividends have been nothing to scoff at, ranging from \$827 to \$1,964 over the past two decades. This dividend may be taxed as income on federal tax returns.

Here are 10 great tax havens for retirees:

- [Billings, Mont.](#)
- [Cheyenne, Wyo.](#)
- [Doral, Fla.](#)
- [Henderson, Nev.](#)
- [Juneau, Alaska](#)
- [Manchester, N.H.](#)
- [Nashville, Tenn.](#)
- [Sioux Falls, S.D.](#)
- [Spokane, Wash.](#)
- [Stafford, Texas](#)

View this [slide show](#) to learn more about each town.

By Emily Brandon, U.S. News & World Report

related content

- [10 great tax havens for retirees](#)
- [Top 12 'next great adventure' towns](#)
- [The world's best places to live 2008](#)

- [How to find low-tax places to retire](#)
- [Great Republican, Democratic spots](#)
- [America's most walkable big cities](#)

[READ MORE ABOUT BEST PLACES TO LIVE](#)

- Print
- E-mail
- Blog
- Digg
- Facebook
- Newsvine

FIND YOUR DREAM HOME OR APARTMENT

from our partners

more on msn real estate

- [Metros with the biggest rent drops](#)
- [Rents drop as vacancies spike](#)
- [Crisis hits homebuyers, sellers](#)
- [New homes get smaller](#)
- [OK to take bailout you don't need?](#)

more on msn

- [Shop: High-def TVs for big game on sale](#)
- [Which vehicle gets the most traffic tickets?](#)
- [Simple, low-cost ways to be happier](#)
- [Why Super Bowl kegger can help save planet](#)
- [Dove: How to shed the worst kind of weight](#)

Explore MSN Real Estate

- | | | | |
|-----------------------------------|-------------------------------------|--------------------------------------|------------------------|
| Buy & Sell | Rent | Home & Garden | Move |
| First-time Buyers | Loans & Finance | Small Spaces | Tools |
| Home Valuation | Foreclosures | Improve & Repair | Forums |



Welcome to our remodel! Find out about upgrades and improvements we've made to MSN Real Estate.

[MSN privacy](#) [Legal](#) [Advertise](#) [RSS](#)

© 2009 Microsoft |