

Arkansas Retirement: Affordable Living & Tax Benefits in 2025

Admin User · January 24, 2026

Arkansas is a top retirement destination in 2025. Explore low housing costs, property tax credits, Social Security exemptions and other financial advantages for seniors.

By Melissa Cary

There's a reason the locals and visitors alike love Arkansas: the rolling hills of the Ozarks, the culture of cities like Fayetteville and Little Rock, and the healthy economy that comes from major corporations calling the state home.

Aside from its culture and natural beauty (it's certainly called The Natural State for a reason), there are several financial benefits to retiring in Arkansas.

Affordable Housing Market

With continued high interest rates and a surge in housing prices, purchasing a new home in retirement may be out of reach for retirees in some states.

Lower Median House Prices

But in Arkansas, the median home price is considerably lower than the national median. According to the [Zillow Home Value Index \(ZHVI\)](#), the average home value in Arkansas is \$209,000 as of 2025. Compare that to Zillow's estimate of \$355,328, and you'll see why Arkansas is a top-tier option for an affordable retirement.

While property prices will be higher in cities and popular vacation destinations around the state, you can also find homes below the average cost in more rural areas of the state. So if you're imagining a retirement spent enjoying birdsong and falling leaves, a home in the country may be just the place for you.

Another win for your wallet: the cost of living in Arkansas is also lower than the national average. In fact, [a recent study](#) ranked Arkansas' cost of living as the second most affordable in the entire U.S.

Lower Property Taxes

Once you purchase your dream retirement home in Arkansas, you're also looking at a lower average effective property rate. Property taxes are assessed at the local level, meaning the city and county within which you live determine your actual property tax rate. The statewide average effective property tax rate is 0.59% — the 14th-lowest in the nation.

So not only will your cash go further with a home purchase in Arkansas, but you'll also likely pay lower property rates than the national average.

Homestead Property Tax Credit

Arkansas offers a [homestead property tax credit](#), filed with the county assessor, of up to \$500 per year (as of 2025) for homeowners who live in their primary residence. This credit is another reduction to your property tax burden.

Retirement Tax Benefits

While Arkansas does have a state income tax, it is a progressive income tax system based on your income levels. Arkansas also has [two income tax tables](#) — a low-income tax table and a regular tax table.

As of 2025, the Arkansas regular state income tax table is as follows:

- 0% on income from \$0 to \$5,499
- 2% on income from \$5,500 to \$10,899
- 3% on income from \$10,900 to \$15,599
- 3.4% on income from \$15,600 to \$25,699
- 3.9% on income \$25,700 and higher

However, there are some income tax exemptions for retirees:

- **Arkansas does not tax your Social Security benefits.** So all Social Security income is yours, tax-free.
 - **Arkansas also offers a pension income exemption for residents who are 59½ or older.** You can exclude up to \$6,000 of retirement income from state taxation if you meet this age requirement. For couples filing jointly who both receive retirement income, the exclusion is up to \$12,000, as you are both entitled to this \$6,000 exemption. This
-

applies to income from retirement plans like pensions, 401(k)s, and other qualified retirement accounts.

With these tax exemptions, you're looking at a lower state income tax bill as a retiree than as an income earner under 59½ years old.

No Inheritance or Estate Taxes

Arkansas does not have a state inheritance or estate tax, so your heirs do not have to pay state taxes on property they inherit. This can be another advantage as you're making your estate plan.

50% Long-Term Capital Gains Exclusion

Many retirees live partially off their invested assets, including assets that generate long-term capital gains. Arkansas currently exempts 50% of long-term capital gains from state income taxes; the other 50% is taxed at ordinary income tax rates (and not at a reduced rate like Federal long-term capital gains treatment). Of course, to qualify, your capital gains must meet the definition of being "long-term" with the underlying asset having been held for one year or more. The exclusion increases to 100% for those more fortunate taxpayers who have over \$10 million of long-term capital gains to report.

Benefits for Military Retirees

Lastly, Arkansas offers additional tax benefits for military retirees.

If you have retired from the military, Arkansas does NOT tax [military retirement pay](#), so there are no state taxes paid on this portion of your retirement income.

Additionally, disabled veterans and their spouses may be eligible for a [property tax exemption](#) of up to \$4,748 of the assessed value on their primary residence. There are additional income qualifications for this exemption.

Make the Most of Your Retirement in Arkansas

With its affordable housing market, low cost of living, and retiree-friendly tax benefits, retiring in Arkansas allows you to make the most of your retirement dollars while still enjoying the best parts of life. Working with a local financial professional who knows Arkansas tax codes will ensure you make the best decisions for your retirement. Find a licensed Arkansas professional [here](#).

About the author: Melissa Cary, CPA

Melissa Cary, CPA, is a tax partner at Landmark CPAs, one of Arkansas' largest accounting firms. Melissa has more than 20 years of experience in individual, business, and trust taxation as well as accounting and bookkeeping. She is a Chartered Global Management Accountant designee and is a member of the AICPA, Arkansas Society of CPAs, and the ARCPA's Federal Tax Institute Committee.