

Retiring in New York: Pros, Cons and Tax Implications

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Learn how to optimize your retirement finances in New York. This article details tax-saving strategies, senior exemptions and how to navigate the state's unique tax landscape.

This article is a part of the 50 states retirement tax-planning series. [View the series here.](#)

By Marianela Collado

Having been born and raised in New York City/state, I know first-hand that New York has a lot to offer folks looking for an active lifestyle. While some may look at the decision about where to retire purely on financial terms, I believe you have to consider both quantitative and qualitative factors when considering a state for retirement.

From a qualitative standpoint, there is always something to do in New York City and mass transit makes it so easy to get around with senior discount perks. Because the city is so easy to navigate, it offers an opportunity to stay active. From theatres to restaurants and wonderful sights, there's always something to do in retirement. The winters, while milder than some other states, could get a little chilly. However, it offers a continual beauty in the change of seasons.

Personal Income Tax

From an income tax perspective, New York City/state isn't bad especially when considering the various benefits and exemptions available to seniors.

New York state requires that any interest income derived from non-New York municipal bonds be added back since it isn't included in federal taxable income. On the flip side, any interest from U.S. government bonds, which are included in federal adjusted gross income, are not subject to New York state income tax. New York also allows a deduction of up to \$5,000 (\$10,000 if married filing jointly) for contributions to a New York 529 college savings plan.

After reducing your income by all the available exemptions and subtractions, New York offers a standard deduction of \$8,000 for single taxpayers and \$16,050 for married taxpayers filing jointly to further reduce your New York taxable income.

To alleviate the burden caused by the \$10,000 cap on the deductible state and local taxes at the federal level, New York allows taxpayers to itemize whether or not they are itemizing at the federal level.

Based on the 2024 income tax brackets and rates, the New York state income tax rates begin at 4% when taxable income is at or below \$8,500 and \$17,150 for single and married taxpayers filing jointly, respectively. The tax rates go as high as 10.9% when taxable income exceeds \$25,000,000. If you live in New York City, you'd also have to pay an additional tax of between 3.078% and 3.875%. There is also an additional tax imposed if you happen to reside in Yonkers.

Social Security and Retirement Income

When the bulk of the income for retirees consists of Social Security and pension income, the income subject to tax is greatly reduced.

Social Security benefits are not subject to New York state income tax.

For those age 59 ½ or older who receive a pension, they are able to subtract up to \$20,000 from their taxable pension. That deduction is doubled for taxpayers filing jointly. To magnify these benefits any federal, New York state or local government pensions are completely exempt from New York City/state taxes regardless of age. Withdrawals and distributions from 401(k)s, 403(b)s and IRAs, however, are taxed as regular income.

Property Tax

Housing could get a little pricey, particularly in areas in or around New York City. It is much more feasible to find affordable housing in areas outside of the city in the surrounding suburbs. Property taxes will vary based on where you live. The good news for seniors is that they can take advantage of special exemptions under the New York STAR program, resulting in either reduced property taxes or credits. For senior homeowners, the STAR program could result in a reduction in the home's assessed value of up to 50%.

In addition to the STAR program, municipalities may also grant a reduction in property taxes for qualifying low-income seniors who meet income limitations and other requirements.

Seniors may receive both the STAR exemption and the “over 65” property tax exemption. Even if you do not meet the lower bar for low income to receive the senior citizen’s exemption, you may still be able to receive the STAR exemption.

Estate Tax

New York is one of twelve states that has a separate estate tax. New York’s estate tax exemption is lower than the federal exemption. For 2025, the federal exemption is \$13,990,000 while the New York exemption is about half of the Federal or \$7,160,000. The estate tax rates range between 3.06% and 16%.

New York, like most states, does not have a gift tax so there’s no limit to how much you give during your lifetime. Any gifts made within three years of your death will be subject to claw back and will be includible in your taxable estate. Also beware that while there may be no New York gift tax on a current year gift, if it exceeds the federal annual exclusion, it will eat into your federal estate tax exemption.

Conclusion

I always say that you can’t let the tax tail wag the dog and it is especially true when it comes to choosing where you want to live the retirement chapter of your life. While it isn’t always about the finances, it is important to consider the impact of living in one state over another. Income taxes may not present such a huge issue but depending on your overall net worth, the estate tax exposure might be more of an issue.

Because planning for retirement is such a big decision, having a financial professional in your corner can be a great asset. You can find a licensed professional [here](#).

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