

Ohio Retirement Guide: Tax-Friendly Living for Seniors

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Uncover the financial benefits of retiring in Ohio. Learn about the state's low cost of living, property tax relief for seniors, and income tax credits.

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

By Chuck Grimm

Ohio's expansive park and recreation environment, along with excellent urban and natural attractions, supports those who are looking for an active retirement lifestyle. Together with a lower cost of living compared to many other states, retirees in Ohio can also enjoy affordable housing options and tax-friendly retirement policies that will help make their retirement dollars go a long way.

Those retirees who may want to winter somewhere warmer will also be pleased to know that, for tax purposes, you are considered a full-time Ohio resident so long as you still own a permanent home in the state. Temporary absence from your Ohio home – regardless of duration – does not change your residency status, so feel free to spend those winter months traveling while still enjoying the tax benefits that the state offers full-time Ohio residents.

Personal state income tax

Ohio's state income tax rates are moderate compared to other states, with a progressive taxation scheme with three rates. Residents are taxed at either 0% for income up to \$26,050; 2.75% for income between \$26,051 and \$100,000; or 3.5% for income above \$100,000. The tax rates are the same for all filing statuses. In addition to state income tax, you may also owe a municipal school district income tax, which may range from 0.5% to 3.0%, depending on the municipality. Those filing jointly may receive a joint filing credit of up to \$650.

Retirement income

Ohio does not tax Social Security benefits. To make sure your Social Security benefits are not taxed on your state return, filers should be aware that the state return starts with the federally adjusted gross income, which may include Social Security benefits which are taxable at the federal level. To offset the amount of Social Security benefits included in the federally adjusted gross income, filers must claim the Ohio deduction for “taxable Social Security benefits” on the Schedule of Adjustments.

Retirement income other than Social Security, such as IRAs and 401(k)s, are taxed, but there is also a credit available to offset some of the taxes due on those withdrawals. Ohio offers two credits for retirement income, and two credits for taxpayers age 65 and older, if your modified adjusted gross income less exemptions is less than \$100,000. The retirement income credit, based on the total amount of retirement income, provides a maximum credit per return of \$200 if you have income from a pension, profit sharing or retirement plan such as an IRA or a 401(k).

Seniors can also claim a \$50 senior citizen credit. Alternatively, you can claim a lump sum distribution credit. However, taxpayers claiming the lump sum distribution credit cannot also claim the senior citizen credit.

Property taxes

Ohio’s housing is typically affordable, with the median home price at about \$235,000, compared to a national median of \$412,000. Property taxes are similarly affordable, with the Ohio Homestead Exemption allowing low-income seniors a \$26,200 reduction in assessed value, which is adjusted annually for inflation. The exemption is currently available for seniors with a household income less than \$38,600 per year.

Like most areas in the country, property values have been increasing, but in Ohio, when property values increase, tax rates are adjusted to prevent a significant change in the amount of tax owed, so that tax bills tend to remain relatively constant even if property values go up.

Other benefits to consider

There is no estate tax in Ohio, making estate planning a little easier for Ohio taxpayers. State sales tax is 5.75%, with counties and regional transit authorities also levying additional sales tax and use tax. Groceries, prescription medicine and utilities are excluded from sales tax. Retirees planning to put aside college money for a child or grandchild can

also take advantage of the state's 529 college savings plan, and will have a \$4,000 deduction per beneficiary per year.

According to Forbes, Ohio's overall cost of living is 8% to 12% below the national average.

Planning for retirement is no small task, no matter which state you settle in. Having a financial professional in your corner can be an asset for all your financial and retirement goals. You can find a licensed professional [here](#).

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