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Retiring in Massachusetts? Here’s What You Need to Know About Taxes, Estate Planning and Cost of Living

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Massachusetts exempts Social Security and government pensions from state income tax, but retirees also need to consider the state’s estate tax, property taxes, cost of living and other financial and lifestyle factors before deciding whether the Commonwealth is the right place to retire.

By James Guarino CPA/PFS, CFP, MST

Is Massachusetts a good place to retire?

The Commonwealth of Massachusetts offers a mixed bag of considerations for retirees, especially when evaluating retirement planning options. Simply put, some are favorable,

some are less favorable, and some can be challenging, particularly for more affluent retirees.

It’s important to remember that the overall state tax picture should be evaluated beyond income taxes alone, including non-tax factors that could influence a retirement decision.

What taxes do retirees pay in Massachusetts?

As is the case with most financial decisions, taxes play a key role in determining whether a financial decision results in a desirable or less desirable outcome. This principle is especially true when deciding where to retire.

In some instances, retirement may last more than three decades. During that time, the amount of tax paid could play a significant role in an individual’s ability to remain financially independent or struggle with annual increases in living expenses.

Massachusetts retirees have several taxes to consider. They include a personal income tax, an estate tax for estates exceeding $2 million, real estate taxes for property owners and a sales tax on most tangible goods.

Does Massachusetts tax retirement income?

Retirees pay a flat 5% tax rate on most reportable income, with the following exceptions:

- Social Security benefits are not taxable.
- Federal and Massachusetts state government pensions are not taxable.
- Short-term capital gains are taxed at 8.5%.
- Long-term capital gains from the sale of collectibles, including artwork and precious metals, are taxed at 12%. However, a 50% capital gains deduction reduces the effective tax rate to 6%.
- Massachusetts imposes an additional 4% Millionaires Tax on income exceeding $1 million. For 2026, the inflation-adjusted threshold is $1,107,750.

Unlike many states that use federal adjusted gross income as the starting point for calculating taxable income, Massachusetts divides total gross income into three classes for computing income tax:

Part A income includes short-term capital gains, capital gains on collectibles, and most interest and dividend income.

Part B income includes most other income, such as wages, pension and retirement plan distributions, and business income.

Part C income includes long-term capital gains.

How does Massachusetts tax IRA and retirement plan distributions?

Retirees reporting income from IRA distributions or self-employed retirement plans should know the amount of their prior-year contributions. Massachusetts does not permit a deduction for IRA contributions or contributions to self-employed retirement plans.

As a result, retirees need to account for the contribution portion, or cost basis, embedded in distributions that are fully taxable for federal income tax purposes.

In effect, a portion of a federally taxable retirement plan distribution may not be taxable in Massachusetts because the taxpayer did not receive a state tax deduction when making the original contribution. This adjustment is sometimes overlooked when retirees report retirement plan distributions on their Massachusetts tax returns.

Massachusetts also did not adopt certain personal income tax provisions included in the 2025 One Big Beautiful Bill Act.

The state provides several deductions and credits for residents age 65 and older, including:

- An additional $700 personal exemption for each taxpayer age 65 or older.
- A Senior Circuit Breaker Tax Credit of up to $2,820 for qualifying seniors who meet applicable income and home value limits.

Does Massachusetts have an estate tax?

Massachusetts does not impose an inheritance tax. However, it does levy an estate tax. The state’s estate tax exemption remains relatively low compared with many other states and the federal estate tax exemption.

Recent legislation increased the Massachusetts estate tax exemption from $1 million to $2 million.

The Massachusetts estate tax is progressive, with a maximum tax rate of 16%.

The state’s high home values, combined with substantial retirement account balances, can create estate tax liability even for many middle-class and upper-middle-class retirees. It is not uncommon for the value of a primary residence and retirement accounts alone to exceed the $2 million exemption.

For ultra-affluent retirees, the estate tax alone may become a deciding factor when choosing where to retire.

Massachusetts residents need only look to neighboring New Hampshire for comparison. New Hampshire does not impose an estate tax. Florida, another popular retirement destination, also has no estate tax. Both states may offer attractive retirement alternatives for Massachusetts residents concerned about estate taxes.

How high are property taxes in Massachusetts?

The effective property tax rate in Massachusetts is approximately 1%, placing it near the middle nationally.

However, average home values rank among the highest in the country. As a result, many Massachusetts homeowners pay above-average property taxes. This can be an important consideration for retirees living on fixed incomes.

Many cities and towns offer property tax relief through local exemptions or work-off programs. Some communities also provide property tax credits for qualifying low-income seniors and older residents who volunteer their time.

What is the Massachusetts sales tax?

Massachusetts imposes a flat 6.25% sales and use tax on most tangible personal property.

However, groceries purchased for home consumption, clothing costing less than $175 and prescription drugs are exempt from sales tax.

What non-tax factors should retirees consider before moving to Massachusetts?

Taxes are only part of the retirement equation. Several non-tax factors also may influence a retiree’s decision to remain in or move to Massachusetts.

Among them:

- Massachusetts is known for excellent health care.
- The state is home to many highly regarded colleges and universities.
- Massachusetts offers abundant history, museums and cultural attractions.
- Residents can reach either the mountains or the seashore within a few hours from almost anywhere in the state.
- The state experiences all four seasons, with varied weather throughout the year.

- Many cities and towns are walkable and offer public transportation, although traffic around the state's larger metropolitan areas can be challenging.
- Massachusetts is home to professional teams in all four major sports leagues.
- The state has one of the nation's highest costs of living.

Should you retire in Massachusetts?

Although this list is not all-inclusive, it illustrates why retirees may or may not choose Massachusetts as their retirement home. Taxes matter, but they are only one part of the decision.

Lifestyle, health care, housing costs, access to transportation and proximity to family can be just as important.

Before deciding where to retire, individuals should carefully evaluate both the tax and non-tax factors to determine which location best fits their long-term financial and personal goals.

About the author

James Guarino, CPA/PFS is a managing director in the tax practice at Baker Newman Noyes, and a PFS Champion for the AICPA. He specializes in serving high-net-worth individuals and families and closely held businesses and their owners. Clients turn to Jim for trusted tax, financial planning, and wealth management advice and guidance, including tactical tax strategies, estate and gift planning coordination and retirement planning oversight.

Jim serves clients through a team approach, working closely with family groups and their board of professional advisers on overall family governance matters. He also assists owners of closely held businesses with succession planning, exit strategies, and retirement transitions.

His other advisory services include providing personal CFO assistance for select high-net-worth families and family offices. This includes tailored financial advice to families experiencing significant financial life events or individual family members seeking assistance with their personal financial goals and objectives.

Before joining Baker Newman Noyes, Jim served as a tax partner and director of wealth and tax advisory services at a large regional accounting firm. He is frequently quoted, and his thought leadership comments have been reflected in local and national publications and numerous online articles and blog posts.