



THE BEST STATE IN AMERICA

Clients occasionally ask us, “Which state is best for retirement?” We tend to respond with a list of factors to consider including desired proximity (or distance) to family, political leaning, weather, business climate, education options, etc. The Ragen Group has wanted to bring taxes into the equation and now thanks to discovering the Tax Foundation’s 2025 State Tax Competitiveness Index dated October 31, 2024, we can address the tax subject.

According to the report the Index “ranks, both overall and across five subindices – individual income taxes, corporate taxes, sales, use, and excise taxes, property and wealth taxes, and unemployment insurance taxes.” That is a fairly intimidating list of taxes.

Without further ado, **here are the 10 worst tax states:**

1. Massachusetts
2. Hawaii
3. Vermont
4. Minnesota
5. Washington
6. Maryland
7. Connecticut
8. California
9. New Jersey
10. New York

How did **New York** earn its spot as the worst tax state in America?

Per the Tax Foundation:

“New York has a graduated state individual income tax, with rates ranging from 4.00 percent to 10.90 percent. There are also jurisdictions that collect local income taxes. New York has a graduated corporate income tax, with rates ranging from 6.5 percent to 7.25 percent. New York also has a 4.00 percent state sales tax rate and an average combined state and local sales tax rate of 8.53 percent. New York has a 1.54 percent effective property tax rate on owner-occupied housing value.

New York has an estate tax. New York has a 25.68 cents per gallon gas tax rate and a \$5.35 cigarette excise tax rate. The State of New York collects \$10,380 in state and local tax collections per capita.

New York has \$19,407 in state and local debt per capita and has a 92 percent funded ratio of public pension plans.”

We were a little disappointed to see our state of **Washington** firmly ensconced in the bottom 10. The Tax Foundation reported:

“Washington does not have a typical individual income tax but does levy a 7.0 percent tax on capital gains income. Washington does not have a corporate income tax but does levy a state gross receipts tax. Washington has a 6.50 percent state sales tax rate and an average combined state and local sales tax rate of 9.38 percent. Washington has a 0.76 percent effective property tax rate on owner-occupied housing value.

Washington has an estate tax. Washington has a 52.8 cents per gallon gas tax rate and a \$3.025 cigarette excise tax rate. The State of Washington collects \$6,644 in state and local tax collections per capita. Washington has \$11,632 in state and local debt per capita and has a 103 percent funded ratio of public pension plans.”

What are the 10 best tax states?

1. Wyoming
2. South Dakota
3. Alaska
4. Florida
5. Montana
6. New Hampshire
7. Texas
8. Tennessee
9. North Dakota
10. Indiana

How does **Wyoming** capture the #1 ranking? Per the Tax Foundation:

“Wyoming does not have an individual income tax. Wyoming also does not have a corporate income tax. Wyoming has a 4.00 percent state sales tax rate and an average combined state and local sales tax rate of 5.44 percent. Wyoming has a 0.55 percent effective property tax rate on owner-occupied housing value.

Wyoming does not have an estate tax or inheritance tax. Wyoming has a 24 cents per gallon gas tax rate and a \$0.60 cigarette excise tax rate. The State of Wyoming collects \$5,194 in state and local tax collections per capita. Wyoming has \$3,475 in state and local debt per capita and has a 94 percent funded ratio of public pension plans.”

Maybe it is time for us all to schedule a trip to Wyoming and hike in Yellowstone and Grand Teton National Parks, ski at Jackson Hole and attend a rodeo.

Taxes can play an important part in your decision making when it comes to residency in retirement. However, similar to our philosophy on how taxes should not drive investment decisions

but they should be a factor to consider, we would encourage clients to weigh the other variables that we mentioned at the beginning of this letter to help them make a decision that meets their lifestyle goals and meshes with their cash flow needs.

If you want to explore this tax subject further here is a link to the report:

<https://taxfoundation.org/research/all/state/2025-state-tax-competitiveness-index/>

If you are considering a move to a different state or would like a deep dive into your own tax return simply send us a copy of your 2024 tax return. Ragen Group member Rebecca McKay leads our Tax Return Review service and can schedule a visit to discuss a potential move to a new state or optimize your tax situation in your current state of choice.

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Sincerely,

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