



Is Georgia the New Florida- When It Comes to Retiring?

In May 2010, Georgia Governor Sonny Perdue signed a new tax bill (HB 1055) which will phase out Georgia taxes on all retirement income by 2016. Yes, you did read that correctly – there will be no Georgia tax on retirement income starting in 2016. Currently, Georgia law provides for a \$35,000 retirement income exclusion per retiree that is 62 years of age or older at any point during the current year. Married couples filing jointly may exclude a total of \$70,000 of retirement income since each spouse can individually exclude \$35,000. However, if a married couple is filing jointly and \$70,000 of income is attributed to one spouse, only \$35,000 of this income may be excluded. It is important to note that individuals that are still working may take advantage of this exclusion as well. The only significant limitation is that any earned income over \$4,000 is subject to regular Georgia tax rates. This “earned income” includes net business income, wages, salary income and any other employer compensation. This current framework will remain in place for individuals that are 62-64 years old in the current tax year.

However, for those that are 65 years old in the current tax year, the new bill explains that the \$35,000 per retiree exclusion will be increased to \$65,000 per retiree in 2012; \$100,000 per retiree in 2013; \$150,000 per retiree in 2014; \$200,000 per retiree in 2015 and in 2016, **ALL RETIREMENT INCOME** will be completely excluded. It is important to point out that “retirement income” includes the following income items:

- Pension Income
- Annuity Income
- Interest Income
- Dividend Income
- Capital Gains Income
- IRA Distributions
- Required Minimum Distributions from IRAs

- Net Income from Rental Properties
- Income from Royalties
- \$4,000 of Earned Income

Depending on your projected retirement income and current financial planning strategy, this new tax bill makes it worthwhile to revisit any ideas related to Roth IRA conversions and/or capital gains planning. By deferring income to retirement, it is possible to save at least 6% based on Georgia's current tax rates.

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