

Income Tax Exemptions for Retirement Income

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Issue

What retirement income is exempt from Connecticut personal income tax? This report updates OLR Report [2023-R-0129](#).

Summary

State law allows taxpayers to deduct all or part of qualifying retirement income for personal income tax purposes, exempting this income from tax. These deductions include a (1) full or partial deduction for Social Security benefits, pension and annuity income, and individual retirement account (IRA) distributions; (2) 50% deduction for qualifying teacher pension income; and (3) 100% deduction for railroad retirement benefits and military retirement pay.

The allowable deductions for Social Security benefits, pension and annuity income, and IRA distributions depend on the taxpayer's filing status and federal adjusted gross income (AGI).

- Social Security benefits are fully exempt for taxpayers with a federal AGI of less than (1) \$100,000 for joint and head of household filers and (2) \$75,000 for single and married filing separately filers. All other taxpayers may take a partial deduction for their Social Security benefits income through which no more than 25% of total Social Security benefits received is subject to tax.
- Pension and annuity income is fully exempt from Connecticut income tax for taxpayers with a federal AGI of less than (1) \$100,000 for joint filers and (2) \$75,000 for all other filers. This 100% deduction gradually phases out for taxpayers with incomes that exceed these eligibility thresholds. Taxpayers with a federal AGI of at least \$150,000 (for joint filers) or \$100,000 (for all others) do not qualify for any pension and annuity income deduction.

- The deduction for IRA distributions is tied to the same income eligibility thresholds and phase-out schedule that apply to the pension and annuity deduction. The deduction is 75% for 2025 and 100% beginning in 2026. (It was previously 25% for the 2024 tax year.)

Social Security Income

Taxpayers who receive federally taxable Social Security benefits may claim a deduction that reduces or eliminates the amount of benefits subject to Connecticut state income tax. (Generally, up to 50% of Social Security benefits are federally taxable. However, up to 85% can be taxable if the taxpayer has other income (IRS Publication 915, [Social Security and Equivalent Railroad Retirement Benefits](#), 2024).)

For Connecticut income tax purposes, taxpayers may deduct 100% of the Social Security benefits included in their federal AGI if their AGI is less than (1) \$75,000 for single filers and married people filing separately and (2) \$100,000 for joint filers and heads of household. Taxpayers with federal AGIs at or above these thresholds qualify for a partial deduction. Under this partial deduction, no more than 25% of total Social Security benefits received is subject to state income tax. The partial deduction equals the difference between the:

1. amount of Social Security benefits includable for federal income tax purposes and
2. lesser of 25% of the (a) Social Security benefits received during the taxable year or (b) “excess of base amount” for federal tax purposes ([CGS § 12-701\(a\)\(20\)\(B\)\(x\)\(III\)-\(IV\)](#); see the Department of Revenue Service’s (DRS) [Social Security Benefit Calculator](#)).

Pension and Annuity Income

Taxpayers with a federal AGI below \$75,000 for single, married filing separately, and head of household filers and \$100,000 for joint filers may deduct 100% of their qualifying pension and annuity income (including 401(k), 403(b), or 457(b) plans). As of the 2024 tax year, the deduction gradually phases out for taxpayers with incomes that exceed these eligibility thresholds, as Table 1 below shows. It fully phases out at \$100,000 and \$150,000, as applicable ([CGS § 12-701\(a\)\(20\)\(B\)\(xxi\)-\(xxii\)](#)).

Table 1: Pension and Annuity Exemption and IRA Deduction Phase-Out Schedule

Federal AGI (\$)		Deduction (%)
Single, Married Filing Separately, or Head of Household	Married Filing Jointly	
< 75,000	< 100,000	100.0
75,000 to 77,499	100,000 to 104,999	85.0
77,500 to 79,999	105,000 to 109,999	70.0
80,000 to 82,499	110,000 to 114,999	55.0
82,500 to 84,999	115,000 to 119,999	40.0
85,000 to 87,499	120,000 to 124,999	25.0
87,500 to 89,999	125,000 to 129,999	10.0
90,000 to 94,999	130,000 to 139,999	5.0
95,000 to 99,999	140,000 to 149,999	2.5
≥ 100,000	≥ 150,000	0.0

IRA Distributions

Qualifying taxpayers may deduct 75% of their distributions from IRAs, other than Roth IRAs, for the 2025 tax year. The deduction is 100% beginning in 2026. The qualifying income thresholds and phase-out schedule for this deduction are the same as those for the pension and annuity exemption shown in Table 1 above. Unlike the pension and annuity exemption, however, for the 2025 tax year, the deduction percentage listed in Table 1 applies only to the portion of IRA income that is deductible for that year (i.e. 75%). For example, a single filer with \$80,000 in federal AGI and \$50,000 in IRA distributions may deduct \$20,625 of that income in the 2025 tax year (i.e. 75% of \$50,000, multiplied by 55%) ([CGS § 12-701\(a\)\(20\)\(B\)\(xxviii\)-\(xxix\)](#)).

Other Retirement Income

Teacher's Retirement System (TRS) Pension Income

Connecticut's income tax deduction for teacher pensions applies only to income received from TRS. It does not extend to income from any other state or local teacher's retirement system. Taxpayers may deduct 50% of their TRS income. Taxpayers who are eligible for both the general pension and annuity exemption and the TRS pension exemption may take whichever one is most favorable to them ([CGS § 12-701\(a\)\(20\)\(B\)\(xix\)](#)).

Railroad Retirement Benefits

Taxpayers may deduct 100% of their tier I and tier II railroad retirement benefits ([CGS § 12-701\(a\)\(20\)\(B\)\(iv\)](#); DRS [CT-1040 Instructions](#), 2024). (This income is generally exempt from state and local income tax under the federal Railroad Retirement Act of 1974 ([45 U.S.C. § 231m](#)).)

Military Retirement Pay

Taxpayers may deduct 100% of their military retirement pay if they are a retired member of the U.S. armed forces or National Guard or a beneficiary receiving survivor benefits under an option or election made by a deceased retired military member ([CGS § 12-701\(a\)\(20\)\(B\)\(xvi\)](#); DRS [CT-1040 Instructions](#), 2024).

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