



# State Income Tax Changes 2024

Rockefeller Insights

# State Income Tax Regimes – Current and Prospective Rates

## STATE INCOME TAXES – CHANGES IN STORE

With so much attention focused on the upcoming presidential election and the Federal Reserve's decisions surrounding potential rate cuts, the national media has not spent much time covering proposals to alter state income tax regimes. With social, political, and economic environments changing at both the state and federal level, many Americans have and continue to consider domestic migration. State income tax changes could ultimately play a part in where they decide to land. As a result, select states are moving to reform their tax regimes by implementing a flat tax rate or lessening the state income tax burden, in hopes to attract high income earners looking to relocate. On the contrary, some states are adding or considering adding additional taxes on capital gains or implementing surtaxes, in attempts to recover revenue lost by the population outflows that have occurred. As a result, taxpayers should be paying close attention to discussions surrounding state tax law changes and anticipating how they may be impacted.

The following is a sampling of existing and potential state individual income tax proposals. A more comprehensive summary of state individual income taxes, both current and prospective, is also included in the appendix.



## STATES ENACTING OR PROPOSING NOTABLE INCOME TAX INCREASES:

- **Michigan (Passed, pending legislation).** Michigan's 2023 reduction of their flat income tax rate from 4.25% to 4.05%, which was triggered by an influx of state tax revenue, has been ruled by two (2) Michigan courts to be a temporary reduction. As such, pending further litigation, Michigan's flat income tax rate will increase to 4.25% for tax year 2024. The rulings were appealed to Michigan's Supreme Court in May 2024, but the Supreme Court has yet to rule on the case.
- **Rhode Island (Proposed).** Proposals have been introduced in Rhode Island that would create a personal income surtax of 3% on taxable income over \$1 million. The existing three-bracket personal income tax structure would remain in place.

## STATES ENACTING OR PROPOSING NOTABLE INCOME TAX DECREASES:

- **Arkansas (Passed).** Retroactive to January 2024, Governor Sanders and Arkansas lawmakers signed into law a personal income tax cut lowering the top rate from 4.4% to 3.9%.
- **Colorado (Passed).** After January 2024, if there is an excess in state revenues then Colorado's income tax rate will be reduced. If excess state revenues are between \$300 million and \$500 million, then the rate will be reduced by .04%. If excess state revenues are between \$500 million and \$600 million then the rate will be reduced by .07%. If excess state revenues are between \$600 million and \$700 million then the rate will be reduced by .09%. If excess state revenues are between \$700 million and \$800 million then the tax rate will be reduced by .11%. If excess state revenues are between \$800 million and \$1 billion then the rate will be reduced by .12%. If excess state revenues are between \$1 billion and \$1.5 billion then the rate will be reduced by .13%. If excess state revenues exceed \$1.5 billion, the rate will be reduced by .15%. For any state fiscal year beginning on or after July 1, 2025, if the permanent state income tax rate in effect is 4.25% or less, the temporary income tax rate reduction does not take effect, unless the amount of excess state revenues required to be refunded for the state fiscal year is equal to or greater than \$2 billion.
- **Georgia (Passed).** Beginning on January 1, 2025, Georgia's flat income tax rate of 5.39% will gradually be reduced by .10% until the rate is lowered to 4.99%. The annual reduction in tax rate for a given year is subject to a delay of one year for each year that the Office of Planning and Budget determines that certain fiscal goals were not met.
- **Iowa (Passed).** In 2024, Iowa changed to a three-bracket system. For taxpayers married filing jointly with taxable income under \$12,420 they are taxed at a rate of 4.4%. For those over \$12,420 but under \$62,100 they are taxed at a rate of 4.82%, for those above \$62,100 they are taxed at a rate of 5.7%. For tax years 2025 and thereafter, Iowa taxable income will be taxed at a flat rate of 3.8%.
- **Ohio (Proposed).** Legislation has been introduced that would gradually reduce the income tax rate down to 0% by 2030. Additionally, Ohio adjusts its tax brackets annually for inflation, but they have not been released yet.
- **West Virginia (Passed).** With West Virginia's fiscal year 2024 ending with revenues hitting \$5.34 billion, therefore meeting the states revenue collection goals, a 4% reduction in income tax rates was initiated. West Virginia Governor, Jim Justice, announced the personal income tax cut will begin on and after January 1, 2025. Additionally, he asks lawmakers to cut taxes by another 5%.

## STATE INCOME TAX PLANNING IN A CHANGING LANDSCAPE:

- Each taxpayer's circumstance is different, and state income tax proposals have varying levels of severity and likelihood of enactment. However, now is as good a time as any to think through your state income tax planning and decide if, based on your individual facts and circumstances, a change in domicile to a lower tax state is feasible and/or desirable.
- Taxpayers should take great care when changing domicile, and unfortunately, states do not provide a simple checklist to follow when making a change. A state's determination of tax residency/domicile is made through evaluation of specific facts and circumstances. Please refer to [Rockefeller Insights – Changing State Domicile](#) for considerations to assist in making a change.
- Of course, anyone pursuing a domicile change should also consider the potential impact of state death taxes. For more information on the various states' death tax regimes and some strategies to plan around state death taxes, please refer to [Rockefeller Insights – State Death Tax Planning](#).

State Income Tax Matrix - Tax Year 2024				
State	Tax Rate Range (%) Low -High	Number of Brackets	Single Income Brackets (\$) Low-High	Joint Income Brackets (\$) Low-High
Alabama	2.0-5.0	3	0-3,000	0-6,000
Alaska			No State Income Tax	
Arizona			Flat Rate - 2.5%	
Arkansas	0-3.9	7 <sup>1</sup>	0-8,800	0-8,800
California	1.0-13.3 <sup>2</sup>	10	0-1,000,000	0-1,396,542
Colorado <sup>3</sup>			Flat Rate - 4.25%	
Connecticut	2-6.99	7	0-500,000	0-1,000,000
Delaware	0-6.6	7	0-60,000	0-60,000
District of Columbia	4.0-10.75	7	0-1,000,000	0-1,000,000
Florida			No State Income Tax	
Georgia <sup>4</sup>			Flat Rate - 5.39%	
Hawaii	1.4-11.0	12	0-200,000	0-400,000
Idaho			Flat Rate - 5.695%	
Illinois			Flat Rate - 4.95%	
Indiana			Flat Rate - 3.05%	
Iowa <sup>5</sup>	4.4-5.7	3	0-31,050	0-62,100
Kansas	0-5.7	4	0-30,000	0-60,000
Kentucky			Flat Rate - 4%	
Louisiana	1.85-4.25	3	0-50,000	0-100,000
Maine	5.8-7.15	3	0-61,600	0-123,250
Maryland	2.0-5.75	8	0-250,000	0-300,000
Massachusetts	5.0-9.0 <sup>6</sup>	2	0-1,053,750	0-1,053,750
Michigan <sup>7</sup>			Flat Rate - 4.25%	
Minnesota	5.35-9.85	4	0-193,240	0-321,450
Mississippi <sup>8</sup>	0-4.7	2	0-10,000	0-10,000
Missouri	0-4.80	8	0-8,911	0-8,911
Montana	4.7-5.9	2	0-20,500	0-41,000
Nebraska	2.46-5.84	4	0-37,670	0-75,340
Nevada			No State Income Tax	
New Hampshire	State Income Tax of 3% on Dividends & Interest Income Only			
New Jersey	1.4-10.75	8 <sup>9</sup>	0-1,000,000	0-1,000,000
New Mexico <sup>10</sup>	1.7-5.9	5	0-210,000	0-315,000
New York	4.0-10.9	9	0-25,000,000	0-25,000,000
New York City	3.078-3.876	4	0-50,000	0-90,000
North Carolina			Flat Rate - 4.5%	
North Dakota	0-2.5	3	0-225,975	0-275,100

State Income Tax Matrix - Tax Year 2024				
State	Tax Rate Range (%) Low -High	Number of Brackets	Single Income Brackets (\$) Low-High	Joint Income Brackets (\$) Low-High
Ohio <sup>11</sup>	0-3.5	3	0-100,000	0-100,000
Oklahoma	0.25-4.75	6	0-7,200	0-14,400
Oregon	4.75-9.9	4 <sup>12</sup>	0-125,000	0-250,000
Pennsylvania			Flat Rate - 3.07%	
Rhode Island <sup>13</sup>	3.75-5.99	3	0-176,050	0-176,050
South Carolina	3-6.3	3	0-17,330	0-17,330
South Dakota			No State Income Tax	
Tennessee			No State Income Tax	
Texas			No State Income Tax	
Utah			Flat Rate - 4.55%	
Vermont	3.0-8.75	4	0-245,700	0-305,788
Virginia	2.0-5.75	4	0-17,000	0-17,000
Washington			State Income Tax of 7% on Capital Gains Income Only	
West Virginia <sup>14</sup>	2.36-5.12	5	0-60,000	0-60,000
Wisconsin	3.50-7.65	4	0-315,310	0-420,420
Wyoming			No State Income Tax	

**NOTES:**

- (1) Arkansas taxpayers with an income less than or equal to \$89,600 are subject to additional tax brackets and rates.
- (2) The 13.3% top rate does not include the 1.1% payroll tax on wages, which is imposed on all wages for 2024, not just on the first \$153,164 of wages. In addition, California has not released their inflation adjustments for the 2024 brackets as of this publication.
- (3) After 2024, the income tax rate can be reduced if certain state revenue numbers are met.
- (4) Beginning of January 1, 2025, the rate will be reduced by .10% annually until the rate reaches 4.99%.
- (5) For tax years 2025 and later, Iowa taxable income is taxed at a flat rate of 3.8%.
- (6) In Massachusetts, certain capital gains can be taxed at higher rates.
- (7) A flat rate of 4.05% is currently in pending litigation and may become the rate for Michigan in 2024.
- (8) Mississippi's top rate will be reduced to 4.4% for tax year 2025 and to 4.0% for tax year 2026.
- (9) There are only 7 tax brackets for single filers (other than head of household or surviving spouse) or married filing separately filers.
- (10) For tax years beginning on or after January 1, 2025, New Mexico taxable income is taxed at rates of 1.5% to 5.9%.
- (11) Legislation has been introduced that would gradually reduce the income tax rate down to 0% by 2030.
- (12) These are the 2023 brackets tax brackets since the 2024 brackets have not been released.
- (13) Proposals have been introduced that would create an additional Rhode Island personal income surtax of 3% on taxable income over \$1 million, with the existing three-bracket personal income tax structure remaining in place.
- (14) Personal income tax rates in West Virginia will drop by 4% beginning January 1, 2025, after the state reached its revenue collection goals for fiscal year 2024.



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