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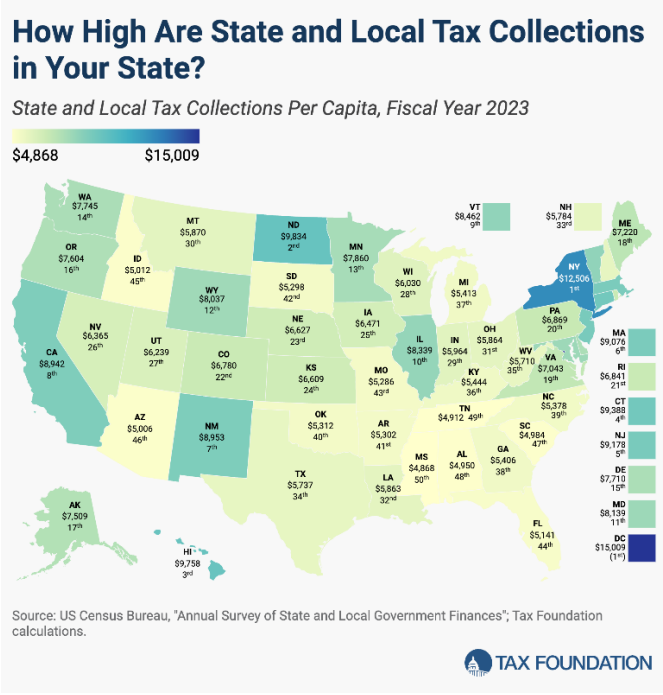
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When we think about taxes, it's typically federal taxes that come to mind. And for good reason: no matter what state you live in, federal taxes are unavoidable.

But where you live still matters. In fact, your state of residence can play a meaningful role in how much of your wealth you ultimately keep over time.

States generate revenue in many different ways, including property taxes, sales taxes, excise taxes, tolls, and various other fees that are often less visible to residents. As a result, a state with low or even no income tax doesn't mean it's a "low tax" state overall.

Below is a map from the Tax Foundation showing the total state and local tax revenue collected per person (per capita) in each state. This map incorporates income taxes plus other, less transparent taxes such as those mentioned above.



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It's not shocking to see many Northeastern states at the top of this list who tend to rely on progressive income taxes plus high property taxes.

Many Southeastern states rank very well; Florida, an extremely popular destination in recent years, has no state income tax, but relies more on sales and consumption-based taxes.

The one that struck me the most was North Dakota, the second highest tax revenue generating state in the country. How can that be? Turns out that the state generates a significant amount of severance tax revenue from oil and gas production.

From a financial planning perspective, choosing a state to live in based solely on its income tax may lead to an incomplete conclusion. Many folks retire to a "low-or-no income tax state" only to find out their are other types of taxes that make the cost of living higher than anticipated. Another great example of a "tax" that many Floridians are experiencing is the rising cost of home and flood insurance, which isn't a cost incorporated in this analysis.

Based on our experience, the goal shouldn't necessarily be to move to the "lowest-tax" state. For many people, factors like family, lifestyle, healthcare access, climate, and overall quality of life matter far more. However, understanding how different states raise revenue can help you make a more informed decision.



Source: The Tax Foundation.

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