



State Corporate Income Tax Rates and Brackets for 2019

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Key Findings

- Forty-four states levy a corporate income tax. Rates range from 2.5 percent in North Carolina to 12 percent in Iowa.
- Six states—Alaska, Illinois, Iowa, Minnesota, New Jersey, and Pennsylvania—levy top marginal corporate income tax rates of 9 percent or higher.
- Eight states—Arizona, Colorado, Kentucky, Mississippi, North Carolina, North Dakota, South Carolina, and Utah—have top rates at or below 5 percent.
- Nevada, Ohio, Texas, and Washington impose gross receipts taxes instead of corporate income taxes. Gross receipts taxes are generally thought to be more economically harmful than corporate income taxes.
- South Dakota and Wyoming are the only states that do not levy a corporate income or gross receipts tax.

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Corporate income taxes are levied in 44 states. Though often thought of as a major tax type, corporate income taxes account for an average of just 3.38 percent of state tax collections and 2.24 percent of state general revenue.¹

Iowa levies the highest top statutory corporate tax rate at 12 percent,² followed by New Jersey (11.5 percent), Pennsylvania (9.99 percent), and Minnesota (9.8 percent). Two other states (Alaska and Illinois) levy rates of 9 percent or higher.

Conversely, North Carolina's flat rate of 2.5 percent is the lowest in the country, followed by rates in North Dakota (4.31 percent) and Colorado (4.63 percent). Four other states impose rates at or below 5 percent: Arizona (4.9 percent), Utah (4.95 percent), and Kentucky, Mississippi, and South Carolina (5 percent).

Nevada, Ohio, Texas, and Washington forgo corporate income taxes but instead impose gross receipts taxes on businesses, generally thought to be more economically harmful due to tax pyramiding and nontransparency.³ Delaware imposes gross receipts taxes in addition to corporate income taxes, as do several states, like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level. South Dakota and Wyoming levy neither corporate income nor gross receipts taxes.

Thirty-four states and the District of Columbia have single-rate corporate tax systems. The greater propensity toward single-rate systems for corporate tax than individual income tax (11 states) is likely because there is no meaningful "ability to pay" concept in corporate taxation. Jeffrey Kwall, professor of law at Loyola University Chicago School of Law, notes that:

Graduated corporate rates are inequitable—that is, the size of a corporation bears no necessary relation to the income levels of the owners. Indeed, low-income corporations may be owned by individuals with high incomes, and high-income corporations may be owned by individuals with low incomes.⁴

A single-rate system minimizes the incentive for firms to engage in economically wasteful tax planning to mitigate the damage of higher marginal tax rates that some states levy as taxable income rises.

1 "2016 State & Local Government Finance Historical Datasets and Tables," U.S. Census Bureau, <https://www.census.gov/data/datasets/2016/econ/local/public-use-datasets.html>.

2 Although Iowa has the highest top marginal corporate income tax in the nation, its rates are not directly comparable with those of other states because the state provides a deduction for federal taxes paid. Iowa's rate is scheduled to drop to 9.8 percent by 2021, subject to revenue availability.

3 Justin Ross, "Gross Receipts Taxes: Theory and Recent Evidence," Tax Foundation, Oct. 6, 2016, <https://taxfoundation.org/gross-receipts-taxes-theory-and-recent-evidence/>.

4 Jeffrey L. Kwall, "The Repeal of Graduated Corporate Tax Rates," *Tax Notes*, June 27, 2011, 1395.

Notable Corporate Income Tax Changes in 2019

Several states implemented corporate income tax rate changes over the past year, among other revisions and reforms. Notable changes for 2019 include:

- Connecticut reduced its surtax in 2018 for corporations with more than \$100 million in gross income from 20 to 10 percent, and the surtax expired at the start of the 2019 tax year. Absent its reimposition during the 2019 legislative session, this brings the top marginal rate down to 7.50 percent.
- Georgia lowered its top corporate income tax rate from 6 percent to 5.75 percent and doubled the standard deduction.⁵ A further reduction to 5.5 percent is scheduled for 2020, subject to legislative reaffirmation.
- Idaho decreased its rate from 7.4 percent to 6.925 percent.⁶
- Mississippi continued phasing out its 3 percent corporate income tax bracket by exempting the first \$2,000 of income this year. The 4 and 5 percent brackets remain in place.⁷
- Indiana's rate decreased to 5.75 percent on July 1, 2018, and a further reduction to 5.5 percent is scheduled for July 1, 2019.⁸
- New Hampshire's rate dropped to 7.7 percent from 8.2 percent.⁹
- New Jersey added a temporary surcharge for businesses with income of over \$1 million, bringing its top tax rate to 11.5 percent.
- As North Carolina continued to meet revenue goals, the state reduced its lowest rate in the nation from 3 percent to 2.5 percent.¹⁰
- Utah shaved its corporate rate to 4.95 from 5 percent in March 2018.¹¹

5 Katherine Loughead, "Five States Accomplish Meaningful Tax Reform in the Wake of the Tax Cuts and Jobs Act," Tax Foundation, July 23, 2018, <https://taxfoundation.org/five-states-accomplish-meaningful-tax-reform-wake-tax-cuts-jobs-act/>.

6 "Tax Reform," Idaho State Tax Commission, June 21, 2018, <https://tax.idaho.gov/i-2019.cfm>.

7 Joseph Bishop-Henchman, "Mississippi Approves Franchise Tax Phasedown, Income Tax Cut," Tax Foundation, May 16, 2016, <https://taxfoundation.org/mississippi-approves-franchise-tax-phasedown-income-tax-cut/>.

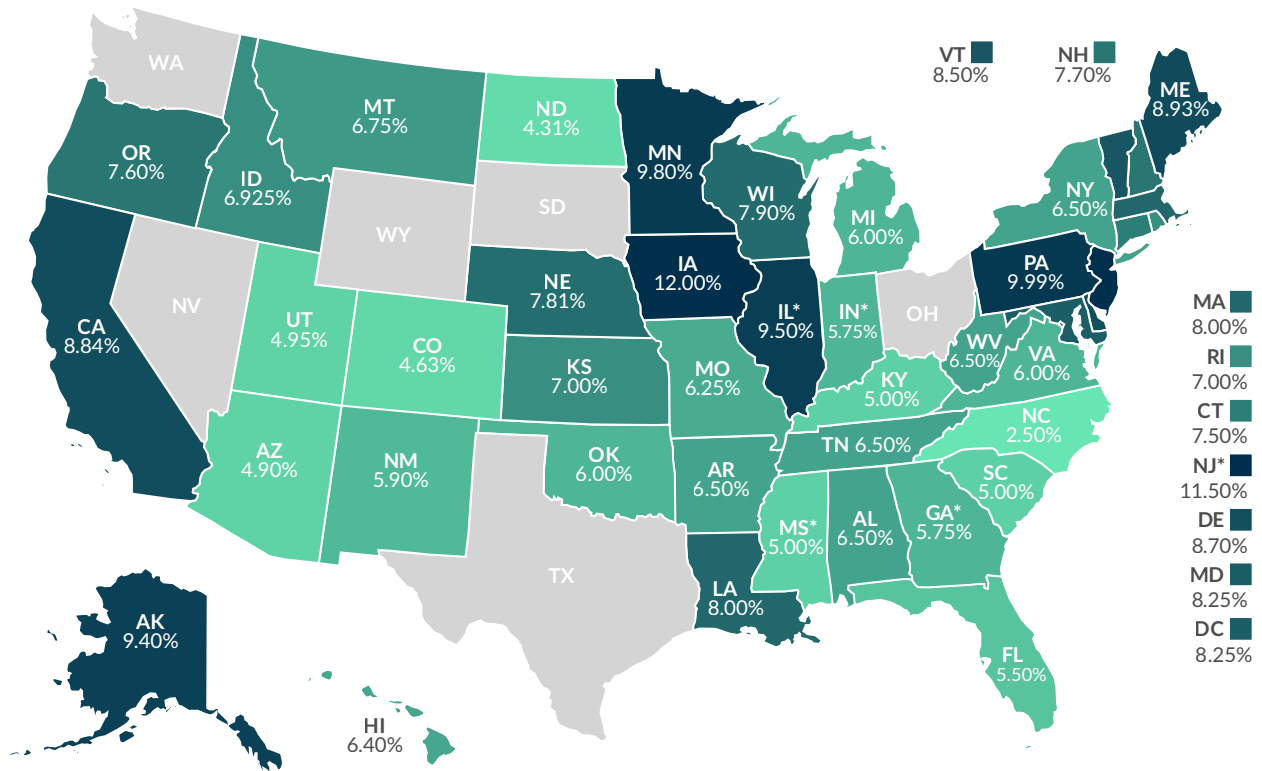
8 Scott Drenkard, "Indiana's 2014 Tax Package Continues State's Pattern of Year-Over-Year Improvements," Tax Foundation, April 7, 2014, <https://taxfoundation.org/indiana-s-2014-tax-package-continues-state-s-pattern-year-over-year-improvements/>.

9 Jared Walczak, "Tax Changes Taking Effect January 1, 2019," Tax Foundation, Dec. 27, 2018, <https://taxfoundation.org/state-tax-changes-january-2019/>.

10 Id.

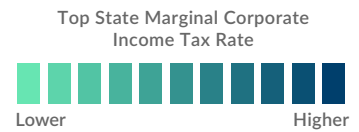
11 Katherine Loughead, "Five States Accomplish Meaningful Tax Reform in the Wake of the Tax Cuts and Jobs Act."

Top Marginal Corporate Income Tax Rates as of January 1, 2019



Note: (*) Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware has gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level. Georgia's corporate income tax rate will revert to 6% on January 1, 2026. The state could see a drop to 5.5% in 2019, pending legislative approval. Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate. Indiana's rate will change to 5.5% on July 1, 2019. The rate is scheduled to decrease to 4.9% by 2022. Iowa's rate is scheduled to drop to 9.8 percent by 2021, subject to revenue availability. Mississippi continues to phase out the 3 percent bracket by increasing the exemption by \$1,000 a year. By the start of 2022, the 3 percent bracket will be fully eliminated. Potential reform in 2020 will subject nearly all Missouri companies to a single sales factor appointment, permitting a rate reduction from 6.25% to 4%. In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. A temporary surcharge is in effect, bringing the rate to 11.5 percent for businesses with income over \$1 million. In addition to regular income taxes, many states impose other taxes on corporations such as gross receipts taxes and franchise taxes. Some states also impose an alternative minimum tax and special rates on financial institutions.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax



State Corporate Income Tax Rates and Brackets for 2019

State	Rates	Brackets	State	Rates	Brackets	State	Rates	Brackets
Ala.	6.5%	> \$0	Iowa (e)	6%	> \$0	N.J. (h)	6.5%	> \$0
Alaska	0.0%	> \$0		8%	> \$25,000		7.5%	> \$50,000
	2.0%	> \$25,000		10%	> \$100,000		9.0%	> \$100,000
	3.0%	> \$49,000		12%	> \$250,000		11.5%	> \$1,000,000
	4.0%	> \$74,000	Kans.	4%	> \$0	N.M.	4.8%	> \$0
	5.0%	> \$99,000		7%	> \$50,000		5.9%	> \$500,000
	6.0%	> \$124,000	Ky.	5%	> \$0	N.Y.	6.5%	> \$0
	7.0%	> \$148,000	La.	4%	> \$0	N.C.	2.5%	> \$0
	8.0%	> \$173,000		5%	> \$25,000	N.D.	1.41%	> \$0
	9.0%	> \$198,000		6%	> \$50,000		3.55%	> \$25,000
	9.4%	> \$222,000		7%	> \$100,000		4.31%	> \$50,000
Ariz.	4.9%	> \$0		8%	> \$200,000	Ohio	(a)	
Ark.	1.0%	> \$0	Maine	3.50%	> \$0	Okla.	6%	> \$0
	2.0%	> \$3,000		7.93%	> \$350,000	Ore.	6.6%	> \$0
	3.0%	> \$6,000		8.33%	> \$1,050,000		7.6%	> \$1,000,000
	5.0%	> \$11,000		8.93%	> \$3,500,000	Pa.	9.99%	> \$0
	6.0%	> \$25,000	Md.	8.25%	> \$0	R.I.	7%	> \$0
	6.5%	> \$100,000	Mass.	8%	> \$0	S.C.	5%	> \$0
Calif.	8.84%	> \$0	Mich.	6%	> \$0	S.D.	None	
Colo.	4.63%	> \$0	Minn.	9.8%	> \$0	Tenn.	6.5%	> \$0
Conn.	7.5%	> \$0	Miss. (f)	3%	> \$1,000	Tex.	(a)	
Del. (a)	8.7%	> \$0		4%	> \$5,000	Utah	4.95%	> \$0
Fla.	5.5%	> \$0		5%	> \$10,000	Vt.	6.0%	> \$0
Ga. (b)	5.75%	> \$0	Mo. (g)	6.25%	> \$0		7.0%	> \$10,000
Hawaii	4.4%	> \$0	Mont.	6.75%	> \$0		8.5%	> \$25,000
	5.4%	> \$25,000	Nebr.	5.58%	> \$0	Va. (a)	6%	> \$0
	6.4%	> \$100,000		7.81%	> \$100,000	Wash.	(a)	
Idaho	6.925%	> \$0	Nev.	(a)		W.Va.	6.5%	> \$0
Ill. (c)	9.5%	> \$0	N.H.	7.7%	> \$0	Wis.	7.9%	> \$0
Ind. (d)	5.75%	> \$0				Wyo.	None	
						D.C.	8.25%	> \$0

- (a.) Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware has gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level.
- (b.) Georgia's corporate income tax rate will revert to 6% on January 1, 2026. The state could see a drop to 5.5% in 2019, pending legislative approval.
- (c.) Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate.
- (d.) Indiana's rate will change to 5.5% on July 1, 2019. The rate is scheduled to decrease to 4.9% by 2022.
- (e.) Iowa's rate is scheduled to drop to 9.8 percent by 2021, subject to revenue availability.
- (f.) Mississippi continues to phase out the 3 percent bracket by increasing the exemption by \$1,000 a year. By the start of 2022, the 3 percent bracket will be fully eliminated.
- (g.) Scheduled reform in 2020 will subject nearly all companies to a single sales factor apportionment, permitting a rate reduction from 6.25% to 4%.
- (h.) In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. A temporary surcharge is in effect, bringing the rate to 11.5 percent for businesses with income over \$1 million.

Note: In addition to regular income taxes, many states impose other taxes on corporations such as gross receipts taxes and franchise taxes. Some states also impose an alternative minimum tax and special rates on financial institutions
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