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# State Corporate Income Tax Rates and Brackets for 2021

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## Key Findings

- Forty-four states levy a corporate income tax. Rates range from 2.5 percent in North Carolina to 11.5 percent in New Jersey.
- Six states—Alaska, Illinois, Iowa, Minnesota, New Jersey, and Pennsylvania—levy top marginal corporate income tax rates of 9 percent or higher.
- Ten states—Arizona, Colorado, Florida, Kentucky, Mississippi, Missouri, 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 levy neither a corporate income nor 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 accounted for an average of just 4.66 percent of state tax collections and 2.27 percent of state general revenue in fiscal year 2018.<sup>1</sup>

New Jersey levies the highest top statutory corporate tax rate at 11.5 percent, followed by Pennsylvania (9.99 percent) and Iowa and Minnesota (both at 9.8 percent). Two other states (Alaska and Illinois) impose rates greater than 9 percent.

Conversely, North Carolina's flat rate of 2.5 percent is the lowest in the country, followed by rates in Missouri (4 percent) and North Dakota (4.31 percent). Seven other states impose top rates at or below 5 percent: Florida (4.458 percent), Colorado (4.55 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, which are generally thought to be more economically harmful due to tax pyramiding and nontransparency.<sup>2</sup> Delaware and Oregon impose 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 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 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.<sup>3</sup>

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 U.S. Census Bureau, "2018 State & Local Government Finance Historical Datasets and Tables," <https://www.census.gov/data/datasets/2018/econ/local/public-use-datasets.html>.

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

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

## Notable Corporate Income Tax Changes in 2021

Several states implemented corporate income tax rate changes over the past year, among other revisions and reforms. Notable changes for 2021 include:

- Arkansas saw its rate drop to 6.2 percent on January 1, 2021 as a third phase of tax reforms started in 2019 kicked in. This rate is scheduled to decrease even further, to 5.9 percent in 2022.<sup>4</sup>
- Colorado voters approved Proposition 116 in November, retroactively lowering the corporate income tax from 4.63 to 4.55 percent as of January 1, 2020.<sup>5</sup>
- Indiana's rate decreased to 5.25 percent on July 1, 2020, and a final reduction to 4.9 percent is scheduled to kick in July 1, 2021.<sup>6</sup>
- Iowa has lowered its rate from 12 to 9.8 percent through a tax reform package adopted in 2018 and the repeal of federal deductibility.<sup>7</sup>
- Mississippi continues phasing out its 3 percent corporate income tax bracket by increasing the exemption by \$1,000 a year, exempting the first \$4,000 of income in 2021. The 3 percent bracket will be completely eliminated by the start of 2022, but the 4 and 5 percent brackets remain in place.<sup>8</sup>
- New Jersey Gov. Phil Murphy (D) retroactively increased and extended the state's temporary surcharge on corporate taxable income exceeding \$1 million. The surtax had decreased to 1.5 percent in 2020 and was scheduled to sunset by 2022. Instead, Assembly bill 4721 retroactively restored the surtax to 2.5 percent for tax years 2020 through 2023. As a result, New Jersey's top corporate income tax rate, which would have been 10.5 percent for 2020 and 2021, and 9 percent with the expiration of the temporary surtax, is now 11.5 percent through 2023.<sup>9</sup>

4 Michael R. Wickline, "Top corporate income tax rate declines," *Arkansas Democrat-Gazette*, Jan. 1, 2021, <https://www.arkansasonline.com/news/2021/jan/01/top-corporate-income-tax-rate-declines/?latest>.

5 Katherine Loughead, "Colorado Proposition 116: Will Voters Reduce the State Income Tax Rates?" Tax Foundation, Oct. 5, 2020, <https://taxfoundation.org/colorado-proposition-116-state-income-tax/>.

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

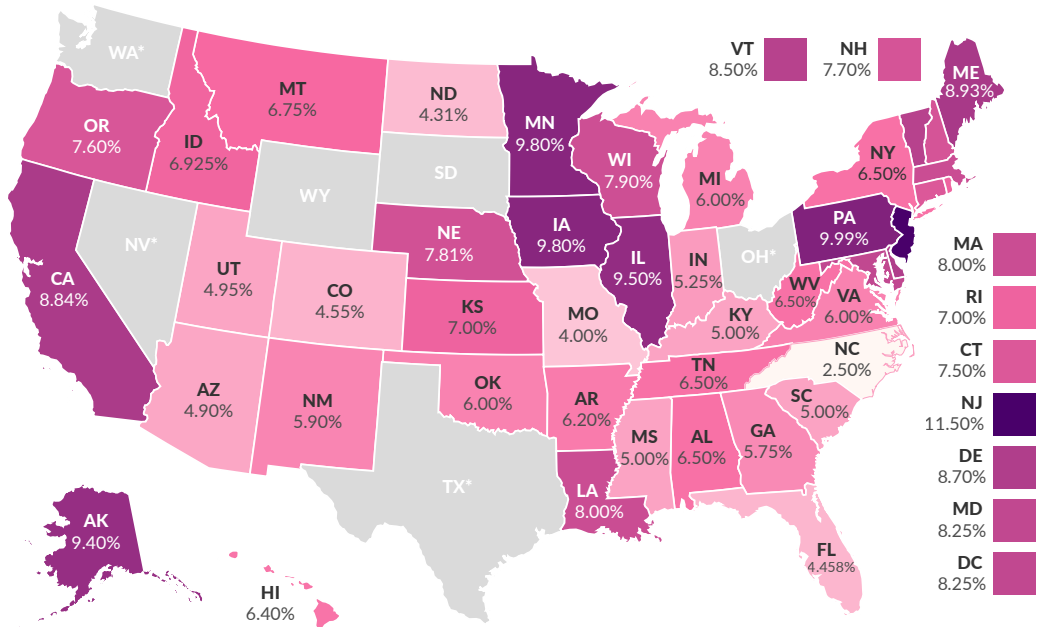
7 Jared Walczak, "Iowa Governor Outlines Plan to Cut Rates and Repeal Federal Deductibility," Tax Foundation, Feb. 14, 2018, <https://taxfoundation.org/iowa-cut-rates-repeal-federal-deductibility/>.

8 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/>.

9 Marks Paneth LLP, "New Jersey Enacts Personal and Corporate Tax Rate Increases Retroactive to January 1, 2020," Oct. 1, 2020, <https://www.markspaneth.com/insights/industry/service/nj-enacts-personal-corporate-tax-rate-increases-retroactive-jan-2020>.

# How High are Corporate Income Tax Rates in Your State?

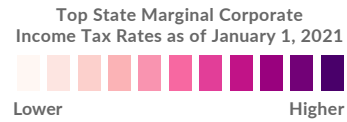
Top Marginal Corporate Income Tax Rates as of January 1, 2021



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, Tennessee, and Oregon have 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.

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 4.9% on July 1, 2021. In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. A temporary and retroactive surcharge is in effect from 2020 to 2023, bringing the rate to 11.5% 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 capital stock 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 2021

State	Rates	Brackets	State	Rates	Brackets	State	Rates	Brackets
Ala.	6.5%	> \$0	Iowa	5.5%	> \$0	N.H.	7.7%	> \$0
Alaska	0%	> \$0		9.0%	> \$100,000	N.J. (g)	6.5%	> \$0
	2%	> \$25,000		9.8%	> \$250,000		7.5%	> \$50,000
	3%	> \$49,000	Kans.	4%	> \$0		9.0%	> \$100,000
	4%	> \$74,000		7%	> \$50,000		11.5%	> \$1,000,000
	5%	> \$99,000	Ky.	5%	> \$0	N.M.	4.8%	> \$0
	6%	> \$124,000	La.	4%	> \$0		5.9%	> \$500,000
	7%	> \$148,000		5%	> \$25,000	N.Y.	6.5%	> \$0
	8%	> \$173,000		6%	> \$50,000	N.C.	2.5%	> \$0
	9%	> \$198,000		7%	> \$100,000	N.D.	1.41%	> \$0
	9.4%	> \$222,000		8%	> \$200,000		3.55%	> \$25,000
Ariz.	4.9%	> \$0	Maine	3.50%	> \$0		4.31%	> \$50,000
Ark.	1.0%	> \$0		7.93%	> \$350,000	Ohio	(a)	
	2.0%	> \$3,000		8.33%	> \$1,050,000	Okla.	6%	> \$0
	3.0%	> \$6,000		8.93%	> \$3,500,000	Ore. (a)	6.6%	> \$0
	5.0%	> \$11,000	Md.	8.25%	> \$0		7.6%	> \$1,000,000
	6.0%	> \$25,000	Mass.	8.00%	> \$0	Pa.	9.99%	> \$0
	6.2%	> \$100,000	Mich.	6.00%	> \$0	R.I.	7%	> \$0
Calif.	8.84%	> \$0	Minn.	9.8%	> \$0	S.C.	5%	> \$0
Colo.	4.55%	> \$0	Miss. (f)	3%	> \$4,000	S.D.	None	
Conn.	7.50%	> \$0		4%	> \$5,000	Tenn. (a)	6.5%	> \$0
Del. (a)	8.7%	> \$0		5%	> \$10,000	Tex.	(a)	
Fla. (b)	4.458%	> \$0	Mo.	4.00%	> \$0	Utah	4.95%	> \$0
Ga. (c)	5.75%	> \$0	Mont.	6.75%	> \$0	Vt.	6%	> \$0
Hawaii	4.4%	> \$0	Nebr.	5.58%	> \$0		7%	> \$10,000
	5.4%	> \$25,000		7.81%	> \$100,000		8.5%	> \$25,000
	6.4%	> \$100,000	Nev.	(a)		Va.	6%	> \$0
Idaho	6.925%	> \$0	N.H.	7.7%	> \$0	Wash.	(a)	
Ill. (d)	9.50%	> \$0				W.Va.	6.5%	> \$0
Ind. (e)	5.25%	> \$0				Wis.	7.9%	> \$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. See Table 18 for more information. Delaware, Oregon, and Tennessee have 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) Florida's corporate income tax rate will return to 5.5% for tax years beginning on or after Jan. 1, 2022.

(c) Georgia's corporate income tax rate will revert to 6% on January 1, 2026.

(d) Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate.

(e) Indiana's rate will change to 4.9% on July 1, 2021.

(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% bracket will be fully eliminated.

(g) In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. A temporary and retroactive surcharge is in effect from 2020 to 2023, bringing the rate to 11.5% 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 capital stock 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.