Alabama

#35

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
35 ▲ 2	**13** ▲ 1	**31** ▲ 1	**48** –	**24** ▼ 2	**18** ▲ 1

Alabama's graduated-rate income tax is very nearly flat since its top rate kicks in at only $3,000 in taxable income for single filers and $6,000 for married couples, without an inflation adjustment. The standard deduction, which is similarly unadjusted for inflation, has also eroded in value over time. Notably, Alabama is among the states that permit local income taxes, which Alabama terms the Occupational Tax.

On the corporate tax front, Alabama levies a 6.5 percent corporate income tax with 15 years of net operating loss (NOL) carryforwards, which is less generous than the federal allowance. A longer carryforward period would allow the state to tax long-run profits without penalizing cyclical businesses. Alabama does benefit, however, by conforming to the federal bonus depreciation allowance under Section 168(k) and conforming to Section 174A, allowing full first-year expensing of research and experimentation investments.

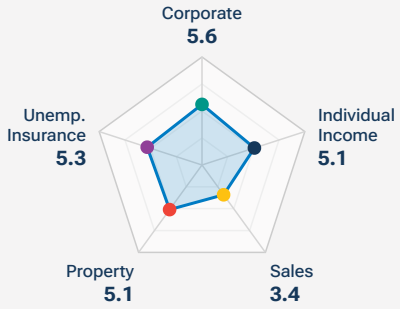
Alabama has a low 4 percent state sales tax rate, but its combined state and average local rate is among the nation's highest, at 9.46 percent. It is one of only four states, along with Alaska, Colorado, and Louisiana, that allows local governments to administer their own local sales taxes, creating significant additional complexity and imposing high compliance costs for businesses, particularly out-of-state retailers. Although Louisiana substantially streamlined state and local sales tax administration in 2026, local jurisdictions continue to retain significant administrative authority. Like Louisiana, Alabama has created an alternative system for remote sellers, but it remains far inferior to the centralized collection and administration of local sales taxes found in 33 of the 37 states with such taxes.

Alabama has among the lowest effective property tax rates in the country on owner-occupied housing value, but it does impose a nonneutral split roll system, with commercial property treated less favorably than residential property. While the state does not have an estate or inheritance tax, it does impose a real estate transfer tax. The state also features a capital stock tax, which falls on business net worth without regard for profitability.

In 2025, Alabama enacted a safe harbor threshold for non-residents, increasing its competitiveness.

Component scores

out of 10



Alabama and its neighbors

Overall rank, 2027 Index, with change from 2026

Florida	#4	–
Tennessee	#8	–
Georgia	#24	▼ 6
Mississippi	#27	▼ 1
Alabama	**#35**	▲ 2