Arkansas

#32

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
32 ▼ 3	19 ▼ 9	32 ▲ 1	42 ▲ 1	17 ▲ 1	10 –

IN THE 2027 *Index*

Despite reductions to its top individual income tax rate (from 3.9 percent to 3.7 percent), Arkansas fell 3 spots overall to 32nd. This was driven largely by other states' improvements in combination with Arkansas's continued nonconformity with the federal full expensing allowance under Section 168(k), causing its corporate income tax ranking to fall nine places to 19th.

FORTHCOMING, NOT YET REFLECTED

Arkansas already saw an individual income tax rate reduction in 2026, but in 2027, the state's corporate income tax rate is scheduled to fall to 4.1 percent. As such, that change falls outside of the snapshot date for this edition but will affect future years' scores.

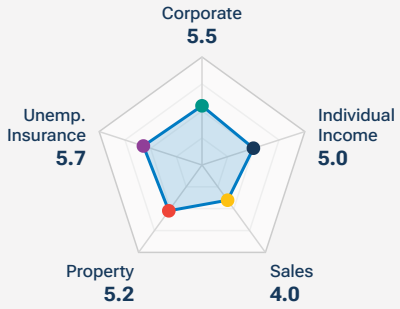
Despite multiple rounds of income tax rate reductions since 2015 with resulting low top marginal corporate and individual income tax rates, Arkansas ranks relatively poorly on the *Index* due to a range of structural shortcomings in the state's tax code. For instance, Arkansas only allows corporations' net operating losses (NOLs) to be carried forward for 10 years, while most states either allow 20-year or uncapped carryforward periods. Arkansas also imposes a throwback rule, exposing some out-of-state activity of Arkansas-based corporations to the state's corporate income tax, which increases their tax liability. Throwback rules penalize firms' investments and instead incentivize them to relocate to states without these rules.

The state stands alone in having two different individual income tax rate schedules depending on taxpayer income, adding complexity to its tax code. Arkansas also has one of the highest combined state and local sales tax rates in the nation.

The state also imposes a tax on capital stock, at 0.3 percent of the apportioned net worth of corporations. Such taxes are increasingly rare, and Arkansas's tax rate is the highest in the nation. The state also assesses property tax on businesses' inventory, making the state even more of an outlier. Both taxes are assessed whether the firm makes a profit or loss in a particular tax year, which is harmful to small businesses seeking to scale up their operations, capital-intensive firms, and all firms during an economic decline. Finally, Arkansas offers no de minimis exemption for its tax on tangible personal property, making this tax exceptionally burdensome to small businesses.

Component scores

out of 10



Arkansas and its neighbors

Overall rank, 2027 Index, with change from 2026

Texas	#5	▲ 2
Tennessee	#8	–
Missouri	#9	▲ 3
Oklahoma	#15	▲ 4
Louisiana	#23	▲ 9
Mississippi	#27	▼ 1
Arkansas	**#32**	▼ 3