Indiana

#14

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
14 ▼ 3	11 ▼ 4	28 ▼ 7	15 –	4 –	14 ▲ 1

IN THE 2027 *Index*

Indiana fell three spots, to 14th overall. Despite a low, flat state individual income tax rate of 2.95 percent, Indiana authorizes counties to impose local income taxes at rates that nearly double the combined rate in some jurisdictions. Additionally, Indiana narrows its tax base by offering income tax deductions for qualified tips and overtime pay. As a result, Indiana's individual income tax ranking fell from 21st to 28th. Indiana does not conform to key expensing provisions, including Section 168(k) and Section 174A, while several competing states do. As a result, its corporate income tax ranking fell from 7th to 11th. Indiana maintains a property and wealth tax ranking of 4th, due in part to the increase to its tangible personal property (TPP) tax exemption from $80,000 to $2 million.

Indiana's tax code includes all major tax types, but the state has ranked well on the *Index* since reforms inaugurated in the early 2010s. Indiana has low, single-rate state income taxes and has one of the most efficient property tax systems in the nation, using levy limits to constrain the unlegislated growth of property taxes. However, despite the state's low, flat 2.95 percent individual income tax (down from 3.00 percent last year), Indiana allows its counties to impose nonuniform local income tax rates, which range from 0.5 to 3 percent, a factor that negatively impacts the state's competitiveness.

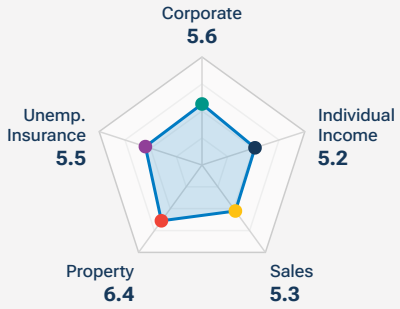
Indiana's flat corporate tax rate of 4.9 percent is one of the lowest in the Midwest. Unlike nearby Ohio, Indiana does not impose a harmful gross receipts tax. The state also does not have a throwback rule, offers generous carryforwards for net operating losses, and does not impose a capital stock tax. Indiana is decoupled from federal bonus depreciation—Section 168(k)—which permanently allows immediate full expensing of qualified machinery and equipment investments. Conformity to these provisions could strengthen Indiana's attractiveness as a location for investment and innovation. Indiana is one of the few states that does not allow local governments to impose local option sales taxes. While the state's sales tax rate of 7 percent is one of the highest in the country, the overall consumption tax burden is only moderately above average given the absence of a local-level tax. The sales tax base in the state is relatively narrow, as most personal consumption services are excluded from the base, while some business inputs are included. Modernizing the sales tax base is a potentially valuable reform for Indiana to consider.

In 2025, Indiana passed legislation tripling the state's tobacco tax of $0.995 per pack of cigarettes to $2.995 per pack of cigarettes, surpassing Illinois in imposing the highest tobacco tax in the region.

Although the state taxes tangible personal property, its newly increased de minimis exemption of $2 million will significantly reduce compliance costs for both small and many medium-sized businesses. Additionally, Indiana does not impose inheritance, estate, or gift taxes.

Component scores

out of 10



Indiana and its neighbors

Overall rank, 2027 Index, with change from 2026

Indiana	#14	▼ 3
Michigan	#25	▼ 9
Kentucky	#26	▼ 1
Ohio	#36	▲ 2
Illinois	#38	▲ 1