Louisiana

#23

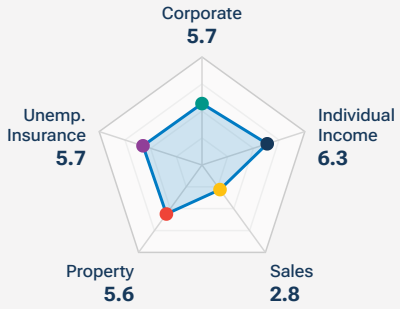
Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
23 ▲ 9	10 ▼ 1	9 ▲ 3	49 ▲ 1	14 ▲ 17	8 ▲ 1

IN THE 2027 *Index*

As part of the final phase-in of the 2024 tax reform package, Louisiana saw a 17-place improvement in its property tax rank due to the elimination of the state's capital stock tax, a damaging tax that taxes businesses regardless of profit. This, along with newly allowing S corporations to file through the individual income tax, helped boost Louisiana from 32nd to 23rd overall.

Component scores

out of 10



Louisiana and its neighbors

Overall rank, 2027 Index, with change from 2026

Texas	#5	▲ 2
Louisiana	**#23**	▲ 9
Mississippi	#27	▼ 1
Arkansas	#32	▼ 3

Louisiana's tax code was a national outlier until the state conducted major tax reform through a special session in November 2024. Previously, the state had multiple individual and corporate income tax brackets that were not indexed for inflation. Now, individual and corporate income is taxed at flat rates of 3 percent and 5.5 percent, respectively. Additionally, the individual standard deduction has been raised to $12,875.

This is a positive development for the state's competitiveness. The 2024 reforms also ushered in permanent full expensing, making Louisiana the third state to fully decouple from federal phasedowns that existed prior to the One Big Beautiful Bill Act (OBBBA). While the federal provision has been made permanent, only those states that permanently decoupled can guarantee corporate taxpayers stability should full expensing be restructured or eliminated in the future. In 2026, the state completed the elimination of its franchise tax, which was imposed on business net worth (or accumulated wealth), penalizing investment regardless of profitability.

As part of the 2024 reform effort, Louisiana now recognizes S corporation status, allowing these entities to file taxes under the pass-through status accorded to them in other states with individual income taxes. Louisiana also repealed its inefficient throwout rule, which taxed "nowhere income" in the state from which sales are made because the seller lacks sufficient nexus to be taxed in the destination state, leading to taxation in the wrong state at the wrong rate.

While the reforms of 2024 were a step in the right direction, there is still work to be done. Louisiana maintains one of the most complicated sales tax regimes with the highest combined statewide and average local sales tax rate (10.13 percent) and a lack of centralized sales tax administration, although it provides a centralized system for remote sellers only. The sales tax code also continues to exempt several services, leaving the base unnecessarily narrow, hindering efforts to lower the rate. The state currently taxes business inventory under its tangible personal property tax. Like capital stock taxes, tangible personal property taxes are imposed regardless of business profitability. These taxes are nonneutral, disproportionately affecting those businesses with larger inventories and causing taxpayers to make inefficient timing and location decisions with their inventory. Voters have the opportunity to repeal this uncompetitive policy in 2026.

Perhaps most notably, Louisiana is highly unusual in lacking central collection and administration of its sales tax. The state has made progress with an alternative remote sellers regime, but parishes' and other jurisdictions' ability to define their own tax bases and to administer their taxes separately from the state creates high compliance costs.