Oklahoma

#15

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
15 ▲ 4	5 –	15 ▲ 13	34 –	9 ▲ 1	3 ▲ 2

IN THE 2027 *Index*

As a result of tax bills passed in 2025, Oklahoma moved from six individual income tax brackets to three, and from a top rate of 4.75 to 4.5 percent, improving the state's individual income tax rank by 13 places. The state also conformed to the improved expensing treatment enacted by the OBBBA, while resisting the option to exempt tips and overtime pay from the income tax. All these improvements brought Oklahoma's rank from 19th to 15th overall.

In recent years, Oklahoma lawmakers have adopted several structural reforms, including eliminating the income tax's marriage penalty and repealing a capital stock tax. In 2025, lawmakers again reformed the individual income tax by reducing the top marginal rate to 4.5 percent, consolidating six brackets into three, and providing fiscal safeguards for future triggered rate reductions. These changes take effect in 2026. However, lawmakers have yet to index the code for inflation. This leaves taxpayers vulnerable to bracket creep, which occurs when inflation pushes a taxpayer from a lower bracket to a higher one when nominal income rises, but due to inflation, real income does not, or may even decline.

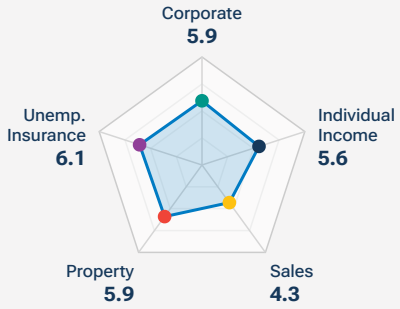
Oklahoma's property taxes are relatively low, and the state has benefited from the repeal of the capital stock tax. Capital stock taxes are imposed on a business's net worth (or accumulated wealth) and tend to penalize investment. Moreover, businesses were required to pay the capital stock tax regardless of profitability. However, the state continues to tax business inventory, which is also levied regardless of profitability. Such taxes are nonneutral and disproportionately affect those businesses with larger inventories, causing taxpayers to make inefficient timing and location decisions with their inventory.

Oklahoma was the first state to adopt permanent bonus depreciation for qualifying investments in machinery and equipment. This boosted the state's competitiveness, particularly because, at the time, the federal One Big Beautiful Bill Act (OBBBA) had not yet been introduced. This pro-growth reform makes the state attractive to capital-intensive industries.

Oklahoma has a single corporate tax rate at 4 percent; however, the state does not conform to federal depletion rules for oil and gas—rules similar to depreciation that apply to natural resources—but it does have its own state-specific deduction. The corporate code also features some nonneutral incentive credits for jobs and investment. The state's throwback rule is inefficient and taxes "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.

Component scores

out of 10



Oklahoma and its neighbors

Overall rank, 2027 Index, with change from 2026

Texas	#5	▲ 2
Missouri	#9	▲ 3
Oklahoma	**#15**	▲ 4
Kansas	#19	▲ 4
New Mexico	#28	▲ 3
Arkansas	#32	▼ 3
Colorado	#33	▲ 1