Texas

#5

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
5 ▲ 2	46 –	1 –	35 ▲ 1	34 ▲ 4	31 ▼ 1

Texas boasts a regionally and nationally competitive tax code. The state does not impose an individual income tax. However, unlike most other states without an individual income tax, Texas (like Washington) applies the corporate gross receipts tax (also known as the "margin tax") to S corporations and LLCs when others accord them pass-through status.

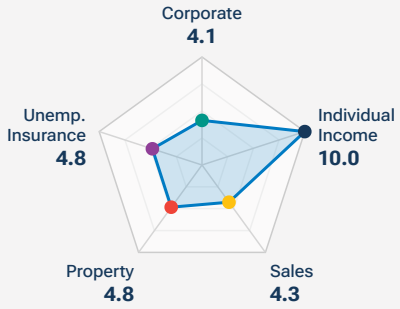
The margin tax is complex and burdensome. As a modified gross receipts tax, it applies to a firm's total sales with limited deductions, rather than being imposed on profits.

In 2025, Texas voted to increase the homestead exemption on residential property from $100,000 to $140,000 ($200,000 for the elderly, disabled, and disabled veterans). This exemption is limited to school district property taxes alone, and the state replaces lost education funding with general fund revenue. Instead of shifting the tax burden directly to commercial property and renters like most homestead exemptions, this policy redirects the burden to the state's general revenue sources, and thus to all taxpayers regardless of home ownership.

Texas treats remote sellers and marketplace facilitators competitively, using a gross sales threshold to require collection and remittance. Additionally, the dollar threshold is $500,000, greater than in most other states, which better aligns the threshold with the size of the state's economy.

Component scores

out of 10



Texas and its neighbors

Overall rank, 2027 Index, with change from 2026

Texas	#5	▲ 2
Oklahoma	#15	▲ 4
Louisiana	#23	▲ 9
New Mexico	#28	▲ 3
Arkansas	#32	▼ 3