# Virginia

**#31**

| Overall Rank | Corporate Tax Rank | Individual Income Tax Rank | Sales Tax Rank | Property Tax Rank | Unemployment Insurance Tax Rank |
|---|---|---|---|---|---|
| 31 ▼ 4 | 24 ▼ 7 | 38 ▼ 1 | 13 – | 30 ▼ 2 | 36 ▲ 1 |

**IN THE 2027 *Index***

Virginia fell four places overall to 31st, a decline mostly attributable to other states adopting competitive reforms while the Commonwealth stood still. Virginia's corporate tax ranking dropped the most compared with its other *Index* rankings, sliding from 17th to 24th. While many states conform to full bonus depreciation under Section 168(k) and Section 174A, Virginia remains decoupled from these provisions. Additionally, the Commonwealth allows municipalities to establish local gross receipts taxes, further reducing its competitiveness.

Virginia's tax code includes all major tax types. The state's individual income tax has remained stable over four decades. However, this stability is not necessarily a positive factor, as many states have implemented significant income tax reforms in recent years, leaving Virginia behind. The Commonwealth's four tax brackets were established in 1987 and are not adjusted for inflation. The progressive income tax structure has a top marginal rate higher than most of its neighbors, including Kentucky, North Carolina, Tennessee, and West Virginia. Additionally, Virginia requires individual income tax filing and withholding for nonresidents working even a single day in the state.

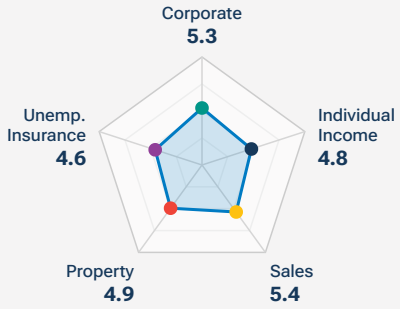
Virginia's elective pass-through entity tax (PTET) was scheduled to sunset after tax year 2026, but this sunset was eliminated during the 2026 legislative session, making this election permanent.

While Virginia's flat corporate income tax rate of 6 percent is around the national average, it is lower than most of Virginia's neighbors (except North Carolina and Kentucky). The state conforms to the federal treatment of net operating losses, does not tax net CFC tested income (NCTI), does not have a throwback rule, and does not impose statewide gross receipts or capital stock taxes. However, Virginia allows municipalities to establish local gross receipts taxes and does not permit businesses to claim federal bonus depreciation under Section 168(k) and Section 174A, which negatively impacts the state's tax competitiveness. Implementing both provisions allowing permanent full expensing could improve Virginia's business tax climate. Virginia's sales tax rate is relatively competitive, though the state could improve its sales tax structure by broadening its base to include more consumer services (but not business inputs). In recent years, local and regional sales tax authority has been expanded.

Virginia does not impose estate or inheritance taxes, making it more appealing to wealthy households and retirees. Most of Virginia's shortcomings are at the local level, with a trio of taxes on business personal property (with no de minimis exemption), business inventory, and business gross receipts. Counties and independent cities are entitled to impose their choice of two of these three taxes.

## Component scores

out of 10




## Virginia and its neighbors

Overall rank, 2027 Index, with change from 2026

| | | |
|---|---|---|
| Tennessee | #8 | – |
| North Carolina | #11 | ▲ 2 |
| Kentucky | #26 | ▼ 1 |
| West Virginia | #29 | ▲ 6 |
| **Virginia** | **#31** | ▼ 4 |
| Maryland | #44 | ▲ 1 |
| District of Columbia | #47* | |