

# State corporate tax rates

As of 12/22/2017

In 2017, 45 states and the District of Columbia levied taxes on their corporate citizens. Most were income taxes (often referred to as “franchise taxes”), with a few designed as taxes on gross receipts and several supplemented by surtaxes.

The income tax rates, in the jurisdictions that impose them, range from 3% in North Carolina to a marginal rate of up to 12% in Iowa. Fourteen states have top income taxes at or above 8%; only four have rates below 5%.

While federal income tax reform has brought welcome relief to corporations subject to federal income taxation, owners must remain mindful of the impact of state income taxes on their companies.

| State    | Flat tax or graduated rates | Corporate tax rate  | State law source              |
|----------|-----------------------------|---------------------|-------------------------------|
| Alabama  | Flat                        | 6.5%                | AL Code § 40-18-31 (2016)     |
| Alaska   | Graduated                   | 0-9.4% <sup>1</sup> | AK Stat § 43.20.011(e) (2016) |
| Arizona  | Flat                        | 4.9%                | AZ Rev Stat § 43-1111 (2016)  |
| Arkansas | Graduated                   | 1-6.5% <sup>2</sup> | AR Code § 26-51-205 (2016)    |

<sup>1</sup> **Alaska:** If the taxable income is, then the tax is:

- Less than \$25,000: zero
- \$25,000 but less than \$49,000: 2% of the taxable income over \$25,000;
- \$49,000 but less than \$74,000: \$480 plus 3% of the taxable income over \$49,000
- \$74,000 but less than \$99,000: \$1,230 plus 4% of the taxable income over \$74,000
- \$99,000 but less than \$124,000: \$2,230 plus 5% of the taxable income over \$99,000
- \$124,000 but less than \$148,000: \$3,480 plus 6% of the taxable income over \$124,000
- \$148,000 but less than \$173,000: \$4,920 plus 7% of the taxable income over \$148,000
- \$173,000 but less than \$198,000: \$6,670 plus 8% of the taxable income over \$173,000
- \$198,000 but less than \$222,000: \$8,670 plus 9% of the taxable income over \$198,000
- \$222,000 or more: \$10,830 plus 9.4% of the taxable income over \$222,000

<sup>2</sup> **Arkansas:** (a) Every corporation organized under the laws of this state shall pay annually an income tax with respect to carrying on or doing business on the entire net income of the corporation, as now defined by the laws of the state of Arkansas, received by such corporation during the income year, on the following basis:

- (1) On the first \$3,000 of net income or any part thereof: 1%
  - On the second \$3,000 of net income or any part thereof: 2%
  - On the next \$5,000 of net income or any part thereof: 3%
  - On the next \$14,000 of net income or any part thereof: 5%
  - On the next \$75,000 of net income or any part thereof, but not exceeding \$100,000: 6%
- (2) On net income exceeding \$100,000, a flat rate of 6 ½% shall be applied to the entire net income.

(b) Every foreign corporation doing business within the jurisdiction of this state shall pay annually an income tax on the proportion of its entire net income as now determined by the income tax laws of Arkansas, on the following basis:

- (1) On the first \$3,000 of net income or any part thereof: 1%
  - On the second \$3,000 of net income or any part thereof: 2%
  - On the next \$5,000 of net income or any part thereof: 3%
  - On the next \$14,000 of net income or any part thereof: 5%
  - On the next \$75,000 of net income or any part thereof, but not exceeding \$100,000: 6%
- (2) On net income exceeding \$100,000, a flat rate of 6 ½% shall be applied to the entire net income.

| State                | Flat tax or graduated rates | Corporate tax rate        | State law source   |
|----------------------|-----------------------------|---------------------------|--|
| California           | Flat                        | 8.84%                     | CA Rev & Tax Code § 23151(e) (2016)  |
| Colorado             | Flat                        | 4.63%                     | CO Rev Stat § 39-22-301(1)(d)(I)(I) (2016)   |
| Connecticut          | Flat                        | 7.5% <sup>3</sup>         | CT Gen Stat §12-214(a)(1), 12-214(b)(7)(A), 12-214(b)(8)(A) (2015)<br>The 20% surcharge pushes 7.5% to 9% in 2017, but drops to 10% surcharge in 2018 (meaning an 8.25% rate in 2018). |
| Delaware             | Flat                        | 8.7%                      | DE Code § 1902(a) (2016)   |
| District of Columbia | Flat                        | 9% in 2017, 8.25% in 2018 | DC Code § 47-1807.02(a)(7), (a)(8) (2016)  |
| Florida              | Flat                        | 5.5%                      | FL Stat § 220.11(2) (2016)   |
| Georgia              | Flat                        | 6%                        | GA Code § 48-7-21 (2016)   |
| Hawaii               | Graduated                   | 4.4-6.4% <sup>4</sup>     | HI Rev Stat § 235-71 (2016)  |
| Idaho                | Flat                        | 7.4%                      | ID Code § 63-3025 (2016)   |
| Illinois             | Flat                        | 7% <sup>5</sup>           | ILCS Chapter 35 § 5/201(b)(13) & (14) (2016)   |
| Indiana              | Flat                        | 6.25% <sup>6</sup>        | IN Code § 6-3-2-1(b)(6 through 11) (2016)  |
| Iowa                 | Graduated                   | 6-12% <sup>7</sup>        | IA Code § 422.33(1) (2016)   |

<sup>3</sup> **Connecticut:** Tax consists of a tax of 7.5%, plus a surcharge of 20% of the basic tax. The 20% surcharge is scheduled to apply only through 2017, dropping to 10% in 2018. There is exception to the surcharge for companies with gross income below \$100,000,000 annually, but the exception does not apply to taxable members of certain combined groups (CT Gen Stat §12-214(b)(8)(B)).

<sup>4</sup> **Hawaii:** The tax on all taxable income shall be at the rate of 4.4% if the taxable income is not over \$25,000; 5.4% if over \$25,000, but not over \$100,000; and 6.4% on all over \$100,000.

<sup>5</sup> **Illinois:** The 7% rate applies for taxable year beginning on or after 7/1/17.

<sup>6</sup> **Indiana:** The 6.25% rate applies for taxable years beginning after 6/30/16, and before 7/1/17. For taxable years beginning after 6/30/17, and before 7/1/18, the rate is 6%. For subsequent fiscal years, the rate drops by ¼ of 1% in each of the following three years, then is lowered to 4.8% for taxable years beginning after 6/30/21.

<sup>7</sup> **Iowa:** A tax is imposed annually upon each corporation doing business in this state, or deriving income from sources within this state, in an amount computed by applying the following rates of taxation to the net income received by the corporation during the income year:

- On the first \$25,000 of taxable income, or any part thereof: 6%.
- On taxable income \$25,000-\$100,000 or any part thereof: 8%.
- On taxable income \$100,000-\$250,000 or any part thereof: 10%.
- On taxable income \$250,000 or more: 12%.

| State         | Flat tax or graduated rates | Corporate tax rate   | State law source   |
|---------------|-----------------------------|--|--|
| Kansas        | Graduated                   | 4% + 3% surtax over \$50K <sup>8</sup>   | KS Stat § 79-32,110(c) (2016)  |
| Kentucky      | Graduated                   | 4-6% <sup>9</sup>  | KY Rev. Stat. § 141.040(6) (2016)  |
| Louisiana     | Graduated                   | 4-8% <sup>10</sup>   | LA Rev Stat § 47:287.12 (2016)   |
| Maine         | Graduated                   | 3.5-8.93% <sup>11</sup>  | 36 ME Rev Stat § 5200 (2016)   |
| Maryland      | Flat                        | 8.25%  | MD Tax-Gen Code § 10-105(b) (2016)   |
| Massachusetts | Flat +                      | 8% plus \$2.60 per \$1,000 of tangible property or net worth (as defined)                      | MA Gen. L Chapter 63 § 39(a) (2016)  |
| Michigan      | Flat                        | 6%   | MI Comp L § 206.623(1) (2016)  |
| Minnesota     | Flat +                      | 9.8% plus surtax up to \$9,770 based on apportionment factors and 5.8% alternative minimum tax | MN Stat § 290.06, Subd.1; 290.0922, Subd.1 (2016)<br>See also Minn. Stat. § 290.0922;<br>Minn. Stat. § 290.0921 (alternative minimum tax);<br>Minn. Stat. § 290.01, Subd. 4 (definitions). |

<sup>8</sup> **Kansas:** (c) Corporations: A tax is hereby imposed upon the Kansas taxable income of every corporation doing business within this state or deriving income from sources within this state. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

- (1) The normal tax shall be in an amount equal to 4% of the Kansas taxable income of such corporation; and
- (2) (A) For tax year 2008, the surtax shall be in an amount equal to 3.1% of the Kansas taxable income of such corporation in excess of \$50,000;
- (B) For tax years 2009 and 2010, the surtax shall be in an amount equal to 3.05% of the Kansas taxable income of such corporation in excess of \$50,000; and
- (C) For tax year 2011, and all tax years thereafter, the surtax shall be in an amount equal to 3% of the Kansas taxable income of such corporation in excess of \$50,000.

<sup>9</sup> **Kentucky:** For taxable years beginning on or after 1/1/07, the following rates apply:

- (a) 4% of the first \$50,000 of taxable net income;
- (b) 5% of taxable net income over \$50,000 up to \$100,000;
- (c) 6% of taxable net income over \$100,000.

<sup>10</sup> **Louisiana:** The tax to be assessed, levied, collected, and paid upon the Louisiana taxable income of every corporation shall be computed at the rate of:

- (1) 4% upon the first \$25,000 of Louisiana taxable income
- (2) 5% upon the amount of Louisiana taxable income above \$25,000 but not in excess of \$50,000.
- (3) 6% on the amount of Louisiana taxable income above \$50,000, but not in excess of \$100,000.
- (4) 7% on the amount of Louisiana taxable income above \$100,000, but not in excess of \$200,000.
- (5) 8% on all Louisiana taxable income in excess of \$200,000.

<sup>11</sup> **Maine:** If the income is, the tax is:

- Not over \$25,000: 3.5% of the income  
 \$25,000 but not over \$75,000: \$875 plus 7.93% of the excess over \$25,000  
 \$75,000 but not over \$250,000: \$4,840 plus 8.33% of the excess over \$75,000  
 \$250,000 or more: \$19,418 plus 8.93% of the excess over \$250,000

| State         | Flat tax or graduated rates | Corporate tax rate  | State law source                    |
|---------------|-----------------------------|---|-------------------------------------|
| Mississippi   | Graduated                   | 3-5%; zero bracket phase-in begins in 2018 <sup>12</sup>              | MS Code § 27-7-5(1) (2016)          |
| Missouri      | Flat                        | 6.25%   | MO Rev Stat § 143.071 (2016)        |
| Montana       | Flat                        | 6.75% (7% for “water’s edge election”)                                | MT Code § 15-31-121 (2015)          |
| Nebraska      | Graduated                   | 5.58% – 7.81% <sup>13</sup>   | NE Code § 77-2734.02(1)(b) (2016)   |
| Nevada        | N/A                         | No corporate tax  | N/A                                 |
| New Hampshire | Flat                        | 8.2% in years ending 12/31/17 or later; 7.9% ending 12/31/18 or later | NH Rev Stat § 77-A:2 (2016)         |
| New Jersey    | Flat                        | 9% <sup>14</sup>  | NJ Rev Stat § 54:10A-5(c)(1) (2016) |
| New Mexico    | Graduated                   | 4.8-6.2% <sup>15</sup>  | NMSA 1978 § 7-2A-5 (2016)           |

<sup>12</sup> **Mississippi:**

- (a) (i) Through calendar year 2017, on the first \$5,000 of taxable income, or any part thereof, the rate shall be 3%;
- (ii) For calendar year 2018, on the first \$1,000 of taxable income there shall be no tax levied, and on the next \$4,000 of taxable income, or any part thereof, the rate shall be 3%;
- (iii) For calendar year 2019, on the first \$2,000 of taxable income there shall be no tax levied, and on the next \$3,000 of taxable income, or any part thereof, the rate shall be 3%;
- (iv) For calendar year 2020, on the first \$3,000 of taxable income there shall be no tax levied, and on the next \$2,000 of taxable income, or any part thereof, the rate shall be 3%;
- (v) For calendar year 2021, on the first \$4,000 of taxable income there shall be no tax levied, and on the next \$1,000 of taxable income, or any part thereof, the rate shall be 3%;
- (vi) For calendar year 2022 and all taxable years thereafter, there shall be no tax levied on the first \$5,000 of taxable income;
- (b) On taxable income in excess of \$5,000 up to and including \$10,000, or any part thereof, the rate shall be 4%; and
- (c) On all taxable income in excess of \$10,000, the rate shall be 5%.

<sup>13</sup> **Nebraska:** For taxable years beginning or deemed to begin on or after 1/1/13, at a rate equal to 5.58% on the first \$100,000 of taxable income and at the rate of 7.81% on all taxable income in excess of \$100,000.

<sup>14</sup> **New Jersey:** 9% for corporations with net income exceeding \$100,000. Certain small businesses with income below \$100,000 but over \$50,000 are subject to a rate of 7½%, and for income of \$50,000 or less, a rate of 6½%.

<sup>15</sup> **New Mexico:** Net income below \$500,000: 4.8%. For net income over \$500,000, the rate is 6.2% in 2017 and 5.9% in 2018. Different rates and a third bracket for income over \$1 million applied prior to 2017.

| State          | Flat tax or graduated rates | Corporate tax rate  | State law source                                      |
|----------------|-----------------------------|---|---|
| New York       | Flat                        | 6.5% <sup>16</sup>  | NY Tax L § 210(1)(a); NY Tax L § 210(1)(a)(vi) (2016) |
| North Carolina | Flat                        | 3% starting in 2017   | NC Gen Stat § 105-130.3 (2017)                        |
| North Dakota   | Graduated                   | 1.41–4.31% <sup>17</sup>  | ND Cent Code § 57-38-30, 57-38.4-042 (2016)           |
| Ohio           | N/A                         | No corporate tax  | N/A   |
| Oklahoma       | Flat                        | 6%  | 68 OK Stat § 2355(E) (2016)                           |
| Oregon         | Graduated                   | 6.6-7.6% <sup>18</sup>  | OR Rev Stat § 317.061 (2015)                          |
| Pennsylvania   | Flat                        | 9.99%   | 72 P.S. § 7402(b) (2016)                              |
| Rhode Island   | Flat                        | 7%  | RI Gen L § 44-11-2.1 (2016)                           |
| South Carolina | Flat                        | 5%  | SC Code § 12-6-530 (2016)                             |
| South Dakota   | N/A                         | No corporate tax  | N/A   |
| Tennessee      | Flat                        | 6.5%  | TN Code § 67-4-2007(a) (2016)                         |
| Texas          | Flat                        | Retail or wholesale<br>.375% of taxable margin<br><br>Others .75% of taxable margin | TX Tax Code § 171.002 (2015)                          |
| Utah           | Flat                        | 5%  | UT Code § 59-7-104 (2016)                             |
| Vermont        | Graduated                   | 6-8.5% <sup>19</sup>  | 32 V.S.A. § 5832 (2016)                               |
| Virginia       | Flat                        | 6%  | VA Code § 58.1-400 (2016)                             |
| Washington     | N/A                         | No corporate tax  | N/A   |
| West Virginia  | Flat                        | 6.5%  | WV Code § 11-24-4(8) (2016)                           |
| Wisconsin      | Flat                        | 7.9%  | WI Stat. § 71.27 (2016)                               |
| Wyoming        | N/A                         | No corporate tax  | N/A   |

<sup>16</sup> **New York:** Imposes its income tax rate on a business's "business income base," as defined in the statute. For certain small businesses and manufacturing, this may result in a different rate, or no tax in the case of certain manufacturing businesses.

<sup>17</sup> **North Dakota:** 1.41% on the first \$25,000 of income, plus 3.55% on income exceeding \$25,000 but not exceeding \$50,000, plus 4.31% on income exceeding \$50,000.

<sup>18</sup> **Oregon:** 6.6% of the first \$1 million of taxable income, then 7.6% of any taxable income exceeding \$1 million.

<sup>19</sup> **Vermont:** 6% on 0 – \$10,000, plus 7% on over \$10,000 to \$25,000, plus 8.5% on over \$25,000. Certain minimums apply (see 32 V.S.A. § 5832 (2)(A)), and digital business entities (as defined at 32 V.S.A. § 5832a) are subject to a lower tax.



[principal.com](http://principal.com)

Insurance issued by Principal National Life Insurance Co. (except in NY) and Principal Life Insurance Co. Plan administrative services offered by Principal Life. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities offered through Principal Securities, Inc., 800-247-1737, Member SIPC, and/or independent broker/dealers. Principal National, Principal Life, Principal Funds Distributor, Inc. and Principal Securities are members of the Principal Financial Group®, Des Moines, IA 50392.

The subject matter in this communication is provided with the understanding that Principal® is not rendering legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

**Not FDIC or NCUA insured**

**May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any Federal government agency**

Principal, Principal and symbol design and Principal Financial Group are trademarks and service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.