



The Council
of State
Governments

SURVEYING
**THE TAX
POLICY**
LANDSCAPE

A 50-State Review

Fall 2025



**The Council
of State
Governments**

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Executive Summary

Tax policy at the federal, state, and territory levels shapes many aspects of daily life—from supporting families with children through tax credits to funding the maintenance of infrastructure such as schools and roads. As lawmakers work to balance revenues and expenditures, understanding how federal tax and spending changes affect state systems is essential. Drawing on previous studies and new analysis of domestic tax policy across both states and U.S. territories, this research offers comparative insights, including graphs and charts that highlight differences within each CSG region. The following considerations can help inform ongoing tax policy discussions and point to areas where state policymakers and other stakeholders can examine different approaches:

- **Regional economic conditions:** How well do tax systems reflect the realities of local economies, costs of living, and tax burdens on constituents?
- **Federal-state synergies:** In what ways might federal tax policy changes impact state systems? For example, federal legislation exempting taxes on tips could carry major implications for states and territories.
- **Managing volatility:** What tools can promote fiscal stability in the face of unpredictable revenue? One approach is using state-level sovereign wealth funds to convert volatile revenue into sustainable funding for public services.
- **Policy trade-offs:** What trade-offs are involved in different tax structures? For instance, adopting a flat income tax may simplify administration but could increase the burden on lower- and middle-income families.

Tax Actions: Key Trends and Changes

To address shifting regional economic conditions, rising costs of living faced by constituents, and evolving budget priorities; states and territories are enacting changes to their tax structures. At least 40 states and territories have enacted tax reforms that will take effect in 2025. Tax changes include, but are not limited to, income tax cuts, sales tax exemptions, and tax incentives for businesses and households. The Table 1 shows tax legislation that has been in effect in 2025.

States and territories seek to maintain fiscal stability by balancing the need to support constituents and

promote economic growth. Regarding the territories, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands are “mirror Code possessions,” where the Internal Revenue Code serves as the internal tax law of those territories. American Samoa and Puerto Rico are “non-mirror Code possessions” and have their own tax laws. The Northern Mariana Islands is transitioning to an automated tax system, and Guam introduced Bill No. 59-38 on tax transparency.

Table 1: Tax Changes in States and Territories in 2025

State	Bill Number	Tax Category	Fee Category	Effective Date	Enactment Date	Change Summary
Alabama	SB 150	Excise		1/1/25	5/9/24	The Alabama Tourism Tax Protection Act extends the transient occupancy tax to lodging intermediaries.
Alabama	Rebuild Alabama Act	Excise		7/1/25	3/19/19	Collects a tax of 30 cpg on gasoline and 31 cpg on undyed diesel in order to support transportation infrastructure related projects.
Alaska	Uniform Code, Section 040(A)	Sales and Use		1/1/25		The Alaska Remote Sellers Tax Commission will base economic nexus solely on \$100,000 in sales, removing the 200-transaction threshold and protecting firms with lower per unit prices and moderate sales volumes from compliance responsibilities.
Arizona	SB 1131	Sales and Use		1/1/25	8/1/23	Eliminates local-level transaction privilege taxes (TPTs) on residential rentals of 30 days or more, prohibiting municipalities from levying these taxes and requiring property owners to stop charging tenants the repealed tax.
Arkansas	HB 1444	Sales and Use		7/1/25	4/10/25	Expands eligibility for the state’s sales and use tax exemption for data centers. This law reduces from \$500 million to \$100 million the investment requirement for data centers to qualify for this exemption and allows indirect compensation paid by contractors to count toward meeting the \$1 million annual compensation requirement.
Arkansas	SB 219	Misc.		7/1/25	3/20/25	Repealed the sunset provision previously applicable to the state’s special privilege tax on medical marijuana, which was set to expire July 1. As such, Arkansas will continue levying a special privilege tax of 4% on gross receipts from sales of medical marijuana.

State	Bill Number	Tax Category	Fee Category	Effective Date	Enactment Date	Change Summary
California	SB 1059	Sales and Use		1/1/25	9/28/24	Prohibits cities and counties from including excise or sales and use taxes on cannabis in the definition of "gross receipts" for local taxes or fees on cannabis retailers.
California	L-969		Surcharge	1/1/25		Increases the 911 Surcharge from \$0.30 to \$0.41 per access line to fund the 911 emergency communication system.
California	N/A		Environmental / Regulatory	1/1/25		Amendments to California's Low Carbon Fuel Standard for 2025 will increase gas prices by 35 cents per gallon and diesel prices by 45 cents per gallon.
California	AB195	Excise		7/1/25	6/30/22	California's cannabis excise tax rate will increase from 15% to 19%. Additionally, the tax rate on tobacco products other than cigarettes will increase to 54.27 percent of the wholesale price as a result of previously enacted laws. The increase will apply to products like e-cigarettes, chewing tobacco, snuff, and cigars, but not to cigarettes.
California	CalTax Notice	Sales and Use		7/1/25		Gas tax rates will be adjusted, with prepayment rates decreasing from 8 to 7.5 cpg for gasoline and from 44.5 to 38.5 cpg for diesel. However, the state excise tax will increase from 59.6 to 61.2 cpg for gasoline and from 45.4 to 46.6 cpg for diesel.
Colorado	SB 184		Transportation / Vehicle	1/1/25	5/17/24	Imposes a \$3 per day congestion impact fee on motor vehicle rentals of less than 31 days.
Colorado	SB 24-233	Property		1/1/25	5/14/24	Caps annual non-school district property tax revenue growth at 5.5% for non-home rule jurisdictions and adjusts residential property tax assessment rates.
Colorado	HB 25-1296	Sales and Use		7/1/25	5/16/25	Expands the sales tax base to include interstate telephone and telegraph services billed to Colorado addresses, reversing the current exemption for these services. The same law also creates a new sales tax exemption for sales of medical marijuana to lower-income individuals who present a valid electronic benefits transfer (EBT) card.
Colorado	Colorado DRS Notice	Misc.		7/1/25		Retail delivery fee will decrease from 29 to 28 cents due to changes in the six rates that comprise the total retail delivery fee.
Colorado	HB 25-1296	Misc.		7/1/25	5/13/25	Adjusts taxation of sports gaming. Specifically, the allowable portion of free bets that may be deducted from net sports betting proceeds will be reduced from 2.25% to 2%. Colorado will also allow counties to levy lodging tax rates of up to 5%, an increase from the current 2% limit. This change is the result of HB25-1247, enacted in May 2025.
Colorado	Colorado DRS Notice	Excise		7/1/25		Road usage fees will increase.
Connecticut	HB 5524	Corporate Income		1/1/25	6/6/24	Extends corporate net operating loss carry-forward period from 20 to 30 years without an annual cap.
Connecticut	Public Act No. 21-2	Corporate Income		1/1/25	7/2/21	Reduces capital base tax rate from 0.31% to 0.26% as part of resumed phaseout.
Connecticut	Connecticut DRS Notice	Excise		7/1/25		The excise tax on diesel fuel will decrease from 52.4 to 48.9 cpg due to changes in the average wholesale price of fuel.

State	Bill Number	Tax Category	Fee Category	Effective Date	Enactment Date	Change Summary
Delaware	HS 2 for HB 168	Excise		1/1/25	9/30/24	Imposes a 4.5% tax on short-term residential rentals; excludes hotels and allocates revenue to tourism and preservation funds.
Delaware	HB 2	Excise		1/1/25	4/27/23	Implements 15% excise tax on retail marijuana sales beginning in 2025.
Delaware	N/A	Excise		1/1/25		Increases hazardous substance cleanup tax on petroleum sales from 0.675% to 1.120% based in revenue lookback formula.
Georgia	HR 1022 / Ga. Const. art. VII, § II, para. a.1	Property / Sales and Use		1/1/25	11/5/24	Caps homestead assessment growth; jurisdictions adopting the cap may levy an added 1% local sales tax.
Georgia	HB 808	Property		1/1/25	5/6/24	Increases tangible personal property tax exemption from \$7,500 to \$20,000.
Georgia	Georgia Department of Revenue	Excise		7/1/25		Alternative fuel vehicle fees will see inflation adjustments on July 1.
Hawai'i	HB 2404	Individual Income		1/1/25	6/3/24	Expands individual income tax brackets and raises standard deduction, reducing effective tax rates across income levels.
Hawai'i	HB 485	Excise		1/1/25	7/8/21	Increases daily rental motor vehicle surcharge tax from \$6.50 to \$7.
Hawai'i	Hawai'i Department of Transportation	Excise		7/1/25		The Road Usage Charge (RUC) for EVs will begin on July 1. The rate begins at 0.8 cents per mile (or \$8 for every 1,000 miles) and is capped at \$50. Alternatively, drivers have the option to pay a flat RUC amount of \$50 when they renew their vehicle registration.
Illinois	SB 3362	Sales and Use		1/1/25	8/9/25	Requires destination-based sourcing for remote sales by in-state retailers.
Illinois	HB 4951	Corporate Income		1/1/25	6/7/24	Raises franchise (capital stock) tax exemption from \$5,000 to \$10,000.
Illinois	HB 4951	Sales and Use		1/1/25	6/7/24	Expands tax base to include leases of tangible personal property except motor vehicles, watercraft, aircraft, and semitrailers; tax now paid by lessee.
Illinois	HB 4951	Sales and Use		1/1/25	6/7/24	Caps retailers' 1.75% sales tax collection discount at \$1,000 per month.
Illinois	HB 2755	Multiple		7/1/25	6/16/25	The budget will impose increased taxes on sports wagering licensees, with a tax of 25 cents per wager applied to the first 20 million wagers in a year and a tax of 50 cents per wager applied to additional wagers in a year once the 20 million threshold has been met. This law will also increase the excise tax rate on e-cigarettes from 15% to 45% of the wholesale price, and the tax on moist snuff will increase from 30 cents per ounce to 45% of the wholesale price. This law will also expand the Hotel Operators' Occupation Tax to apply to short-term rentals and increase the interstate and intrastate telecommunications tax rate from 7% to 8.65% to fund the 9-8-8 Suicide and Crisis Lifeline. It also reduces the rebate for purchases of new or used electric vehicles from \$4,000 to \$2,000 and reduces the rebate for purchases of electric motorcycles from \$2,000 to \$1,500.
Illinois	Illinois Revenue	Excise		7/1/25		The gas tax will increase from 47 to 48.3 cpg, and the tax on diesel fuel will increase from 54.5 to 55.8 cpg.

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Indiana	HB 1001	Individual Income		1/1/25	5/4/23	Reduces individual income tax rate from 3.05% to 3.00% as part of a phased rate reduction to 2.9% by 2027.
Indiana	HB 1001	Excise		7/1/25	5/6/25	Increases excise tax rates on tobacco and vapor products. The cigarette tax will rise from .995 cents per pack to \$2.995 per pack of 20, the tax on heavy cigarettes will triple, and the tax limit on cigars will increase from \$1 to \$3 per cigar. Other tobacco products will see their wholesale tax rate increase from 24% to 30%, and the tax on moist snuff and alternative nicotine products will increase from 40 to 50 cents per ounce. Vapor products will see their gross retail income tax rate double from 15% to 30%.
Indiana	HB 1427	Misc.		7/1/25	5/6/25	Authorizes several counties to increase their innkeeper's tax rates from 5% to 8% beginning July 1.
Iowa	SF 2442	Individual Income		1/1/25	5/1/24	Transitions from graduated income tax to a flat 3.8% rate, continuing multi-year reform.
Iowa	SF619	Misc.		1/1/25	6/16/21	Fully eliminates Iowa's inheritance tax as of January 1, 2025, completing a phased repeal.
Iowa	SF 607	Misc.		7/1/25	6/6/25	Reforms Iowa's unemployment insurance (UI) tax system, effective July 1. Specifically, this law reduces the taxable wage base and lowers the maximum UI tax rate from 9% to 5.4%.
Kansas	HB 2106	Sales and Use		1/1/25	5/23/22	Eliminates remaining 2% state sales tax on groceries.
Kansas	SB 35	Property		7/1/25	4/7/25	Discontinues the state property tax levies for the Kansas educational building fund and the state institutions building fund and instead finances these expenses with revenue from the state general fund.
Kansas	SB 269	Personal Income / Corporate Income		7/1/25	4/10/25	Creates a trigger-based system to reduce tax rates when individual and corporate income tax revenues exceed an inflation-adjusted FY 2024 baseline and the Budget Stabilization Fund balance is at least 15% of the prior year's general fund tax collections. The individual income tax rate will be reduced first, until it reaches a flat rate of 4%, followed by reductions to the corporate income tax surtax until the normal tax and surtax reach a combined rate of 4%. Finally, the privilege tax will be reduced until the combined normal tax and surtax amount is 2.6% for banks and 2.62% for trusts and savings and loan associations. The first year an individual income tax cut may be triggered under this law is tax year 2026.
Kansas	SB 98	Sales and Use		7/1/25	4/11/25	Establishes a new sales tax exemption for businesses that make qualifying investments in data center projects. To be eligible, a data center must invest a minimum of \$250 million over five years and create and maintain at least 20 jobs, in addition to meeting other eligibility criteria.

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Kentucky	SB 1	Misc.		7/1/25	3/26/25	Revamps the film production tax credit program by establishing a new Kentucky Film Office and Film Leadership Council and raising the annual credit cap to \$75 million. The enhanced Kentucky Entertainment Incentive Program offers refundable tax credits of up to 35% of qualified expenditures for feature films, television programs, documentaries, and national touring Broadway productions filmed in Kentucky.
Kentucky	Kentucky Department of Revenue	Excise		7/1/25		Fuel taxes will automatically decrease by 1.4 cpg, to 25 cpg for gasoline and 22 cpg for diesel.
Louisiana	HB 2	Individual Income		1/1/25	12/4/24	Implements flat 3% individual income tax and raises standard deduction to \$12,500, indexed to inflation.
Louisiana	HB 2	Corporate Income		1/1/25	12/4/24	Consolidates corporate income tax to a flat 5.5%, eliminating three-bracket system.
Maine	HP 1278	Sales and Use		1/1/25	4/26/24	Shifts sales tax on leased tangible personal property from lessor to lessee; allows resale certifications and provides retroactive refunds for prior purchases.
Maryland	HB 352	Sales and Use		7/1/25	5/20/25	A 3% sales tax will be applied to various business-to-business services, including data and IT services. That same law also increases multiple fees and excise taxes, including raising the vehicle excise tax rate from 6% to 6.5%, the cannabis tax rate from 9% to 12%, the sports betting tax from 15% to 20%, and the vehicle emissions inspection fee from \$14 to \$30. Additionally, the law levies a 3.5% rental vehicle tax, imposes a new tire fee of \$5 per tire, and extends the state's 6% sales tax to vending machine sales. Additionally, Maryland's fuel tax rates will be adjusted for inflation.
Massachusetts	H 4104	Corporate Income		1/1/25	10/4/23	Moves to mandatory single sales factor for corporate income tax, replacing three-factor apportionment.
Michigan	HB 4001	Individual Income		1/1/25	3/7/23	Applies 75% retirement income tax exemption in 2025 as part of a phased repeal based on age; full exemption begins in 2026.
Minnesota	HF 2887	Excise		1/1/25	5/24/23	Raises fuel tax to 31.8 cents per gallon with a 3.5-cent per gallon debt surcharge according to the National Highway Construction Cost Index 2.0; future increases indexed and capped at 3% per year.
Minnesota	HF 9	Excise		7/1/25	6/14/25	Will increase the excise tax rate on cannabis from 10% to 15%, effective July 1, 2025, before legal sales begin. That law also repeals a sales tax exemption that previously existed for the purchase of electricity by qualified data centers.
Minnesota	HF 3911	Misc.		7/1/25	5/21/24	Producers that sell, ship, or distribute products into Minnesota that contain packaging or printed paper are required to register to participate in the program by July 1.
Minnesota	Minn. Stat. § 297F.25	Excise		1/1/25		Raises cigarette tax from 73.9 cents per pack.
Minnesota	Minn. Stat. § 273.13, subd. 35	Property		1/1/25		Increases homestead property exclusion from \$30,400 to \$38,000 for home valued at \$95,000 or less.

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Mississippi	HB 531	Personal Income		1/1/25	4/5/22	Reduces flat individual income tax rate to 4.7% to 4.4% as part of phased reduction to 4% by 2026.
Mississippi	SB 2858	Corporate Income		1/1/25	5/13/16	Reduces corporate franchise tax to \$0.50 per \$1,000 of capital over \$100,000; full repeal scheduled for 2028.
Mississippi	HB 1	Sales and Use / Excise		7/1/25	3/27/25	The sales tax rate on groceries will be reduced from 7% to 5% on July 1. That same law also increases the excise tax rate on gasoline by 3 cpg each year for the next three years, raising it from 18 to 21 cpg on July 1, followed by an increase to 24 cpg in July 2026 and 27 cpg in July 2027. This is part of a broader tax package focused on income tax rate reductions, but those reductions begin next year.
Missouri	SB 3	Personal Income		1/1/25	10/5/22	Reduces top income tax rate from 4.8% to 4.7% under SB 3 and SB 5 (2022); phase-in continues toward 4.5% target.
Missouri	SB 5	Personal Income		1/1/25	9/15/22	Reduces top income tax rate from 4.8% to 4.7% under SB 3 and SB 5 (2022); phase-in continues toward 4.5% target.
Missouri	SB 262	Excise		7/1/25	7/13/21	Fuel tax rate will increase by 2.5 cpg, in accordance with annual motor fuel tax adjustments put forward in SB 262, enacted in 2021.
Montana	SB 124	Corporate Income		1/1/25	3/13/23	The corporate income tax apportionment formula will change from a three-factor formula consisting of payroll, property, and double-weighted receipts to a single-receipts factor apportionment formula.
Nebraska	LB 937	Personal Income		1/1/25	4/25/24	Creates a nonrefundable income tax credit for contributions made to pregnancy help organizations as defined by the state DOR equal to the lesser of the total contributions or 50% of the taxpayer's income tax liability, with an annual cap of \$500,000.
Nebraska	LB 937	Corporate Income		1/1/25	4/25/24	Creates a nonrefundable income tax credit for qualified shortline railroad maintenance expenditures equal to 50% of expenditures incurred.
Nebraska	LB 937	Personal Income		1/1/25	4/25/24	Creates four tax credits (3 nonrefundable and 1 refundable) to support employers and employees who provide direct support to those with intellectual developmental disabilities. Total credits cannot exceed \$2 million starting FY 28 and every fiscal year thereafter.
Nebraska	LB 937	Personal Income		1/1/25	4/25/24	Creates the Caregiver tax credit, a nonrefundable income tax credit for any family caregiver who incurs expenditures related to the care of a family member. The credit equals 50% of expenditures incurred amounting to \$2,000 maximum or \$3,000 for family members who are veterans or are diagnosed with dementia. Total credits may not amount to more than \$2.5 million starting in FY 28.
Nebraska	LB 1023	Corporate Income		1/1/25	4/25/24	Provides a refundable tax credit to employers who pay relocation expenses for employees equal to the amount of 50% of the expenses. Stipulates salary requirements for relocating employee.
Nebraska	LB 937	Sales and Use		1/1/25	4/25/24	Provides a sales and use tax exemption for certain nonprofit organizations related to property acquisition and development.

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Nebraska	LB 1394	Personal Income		1/1/25	4/18/24	Provides for a deduction of 100% of certain income received by members of the National Guard from adjusted gross income.
Nebraska	LB 754	Personal Income		1/1/25	5/31/23	The top individual income tax rate is lowered from 5.84% to 5.2%.
Nebraska	LB 754	Corporate Income		1/1/25	5/31/23	The corporate income tax rate is reduced from 6.50% to 6.24%.
Nebraska	Nebraska Department of Revenue	Excise		7/1/25		Adjusts fuel tax rates from 30.4 to 31.8 cents per gallon, due to an increase in the variable tax rate despite a reduction in the average wholesale price of fuel.
Nevada	SB 428	Sales and Use		1/1/25	6/15/23	Exempts child and adult diapers from sales and use taxes.
New Hampshire	HB 2	Personal Income		1/1/25	6/21/23	Repeals the tax on interest and dividends income by accelerating the phaseout from 2027 to 2025.
New Jersey	A 4706	Personal Income		1/1/25	11/1/24	Provides property tax relief for seniors, cutting their property taxes in half with a cap of \$6,500.
New Jersey	S 3432	Corporate Income		1/1/25	7/25/24	Creates the Next New Jersey Program to encourage the development of artificial intelligence investments. The state will award up to \$500 million in tax credits to businesses that invest a minimum of \$100 million in capital for business facilities dedicated to artificial intelligence.
New Jersey	New Jersey Division of Taxes	Sales and Use		7/1/25		The sales tax exemption for zero-emission vehicles is eliminated entirely, with all eligible vehicle purchases being taxable at the general rate of 6.625% as of July 1. The exemption had been partially phased out beginning October 1, 2024, when a reduced rate of 3.3125% was applied.
New Jersey	AB 4011	Misc.		7/1/25		Registration fee for electric vehicles will rise from \$250 to \$260 as a result of AB 4011, enacted in 2024.
New Mexico	HB 252	Corporate Income		1/1/25	2/5/24	Amends corporate income tax to add "subpart F" into the taxable base and modifies which filers can file as a water's edge entity.
New Mexico	HB 252	Personal Income		1/1/25	2/5/24	Amends the limit of capital gains that may be deducted from personal income tax to a new maximum of \$2,500. Also allows a deduction of 40% of up to \$1 million of capital gain income from sale of New Mexico based business.
New Mexico	HB 252	Personal Income		1/1/25	2/5/24	Creates a personal and corporate income tax credit equal to 1.5 cents per kilowatt-hour of electricity generated from geothermal energy. Both PIT and CIT credits are capped at \$5 million annually.
New Mexico	HB 252	Corporate Income		1/1/25	2/5/24	Creates a single corporate income tax rate of 5.9%.
New Mexico	HB 252	Corporate Income		1/1/25	2/5/24	Creates an advanced energy equipment income tax credit, similar to the federal credit offered by IRC 45X. The credit is the lesser of 20 of qualified expenses or \$25 million, with total amount not to exceed \$25 million annually.
New Mexico	HB 252	Personal Income		1/1/25	2/5/24	Enacts income tax credit for those whose homes were destroyed in a wildfire between 2021 and 2023.

State	Bill Number	Tax Category	Fee Category	Effective Date	Enactment Date	Change Summary
New Mexico	HB 252	Personal Income		1/1/25	2/5/24	Removes sunset date on armed forces retirement pay income tax exemption, remaining at \$30,000 allowed to be exempted.
New Mexico	HB 252	Personal Income		1/1/25	2/5/24	Restructures personal income tax rates to provide rate reductions, increase the number of brackets, adjust rates, and change applicable income ranges within each brackets.
New Mexico	New Mexico Taxation Revenue	Excise		7/1/25		The cannabis tax rate will automatically increase from 12% to 13% on July 1. The rates will continue to increase by 1% each year until reaching 18% in 2030.
New York	AB A3009C	Misc.		7/1/25	5/9/25	Increases the payroll tax on large employers within the Metropolitan Transportation Authority area in order to provide additional funds for transit operations.
North Carolina	HB 259	Personal Income		1/1/25	10/3/23	The individual income tax rate will be reduced from 4.5% to 4.25%.
North Carolina	S 527		Alcohol	1/1/25	1/11/23	Creates an exemption from the 30% excise tax on spirituous liquor when sold for at least \$50,000 per container. That sale is subject to a use tax capped at \$1,000.
North Carolina	S 105	Corporate Income		1/1/25	11/18/21	The corporate income tax rate will be reduced from 2.5% to 2.25%.
Ohio	HB 33	Corporate Income		1/1/25	7/3/23	The first \$6 million of business gross receipts will no longer be subject to the Commercial Activity Tax (CAT), the state's gross receipts tax. The previous exclusion was \$3 million.
Oregon	Oregon EPR Program	Misc.		7/1/25		Oregon's EPR program will begin implementation and associated fees will begin being charged to implement changes to recycling programs in the state.
Rhode Island	HB 7927	Corporate Income		1/1/25	6/24/24	Allows banking institutions that are subject to taxation in multiple states have the option to allocate their Rhode Island net income utilizing a single receipts factor or the current three-factor income apportionment.
Rhode Island	HJR 7225	Cigarette and Tobacco		1/1/25	6/24/24	Creates tax on electronic nicotine delivery systems (ENDS). Closed systems subject to a \$0.50 per milliliter tax. Open-system products subject to a 10% of wholesale cost tax rate.
Rhode Island	HJR 7225	Personal Income		1/1/25	6/24/24	Increases the amount of taxable pension and/or annuity income that can be exempted from Rhode Island personal income tax will increase from \$20,000 to \$50,000.
Rhode Island	HB 8325	Personal Income		1/1/25	6/14/24	Reduces the tax credit given to members in pass-through entities that pay taxes under the state's elective pass-through entity tax from 100% to 90% of the taxes paid.
Rhode Island	Rhode Island Department of Revenue	Excise		7/1/25		Inflation adjustment will increase Rhode Island's state excise tax on gasoline from 37 to 38 cpg.
South Carolina	H 4025	Personal Income		7/1/25	6/4/25	Includes a provision to temporarily reduce the state's top marginal individual income tax rate from 6.2% to 6% from July 1, 2025, through June 30, 2026.

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South Dakota	HB 1028	Misc.		7/1/25	2/18/25	Conforms South Dakota's bank franchise tax to the IRC as of January 1, 2025, to ensure consistency between state and federal tax regulations for financial institutions. South Dakota, with no corporate or individual income tax, imposes a franchise tax on banks and financial institutions based on their net income.
Tennessee	SB 2307	Excise		1/1/25	5/13/24	Adds hydrogen gas to the state's existing alternative fuels tax law. Hydrogen gas will then be exempt from the sales and use tax but subject to the alternative fuels tax of 21 cents per gallon.
Tennessee	SB 763	Misc.		7/1/25	5/2/25	Will tax vapor products at 10% of the wholesale price beginning July 1.
Tennessee	HB 160	Sales and Use		7/1/25	2/18/25	Sales of wine on the premises or satellite facilities of wineries or wine farms will be exempt from the 15% liquor-by-the-drink tax.
Utah	HB 52	Excise		1/1/25	3/12/24	Enacts the Cannabinoid Licensing and Tax Act, which establishes a 10% tax on the sale of industrial hemp.
Utah	SB 47	Sales and Use		7/1/25	3/25/25	Removes the 200-transaction economic nexus threshold for sales tax purposes, simplifying compliance requirements for remote sellers and aligning Utah with the trend among states to eliminate transaction thresholds. Under the revised law, businesses will need to meet the \$100,000 gross revenue threshold to establish economic nexus in the state.
Utah	HB 548	Misc.		7/1/25	3/14/24	Established gradual increases to the beer tax rate. On July 1, the beer tax will increase from \$13.35 to \$13.60 per 31-gallon barrel of beer.
Vermont	H.868	Transportation / Vehicle		1/1/25	6/3/24	Implements an electric vehicle infrastructure fee. Drivers of battery electric vehicles will be required to pay \$89 for one year, in addition to the standard \$89 registration fee. Drivers of plug-in hybrid vehicles will pay half the rate, \$44.50, for one year.
Vermont	HB 488	Misc.		7/1/25	6/3/25	Delays the implementation of a mileage-based user fee program for EVs from July 1 until January 1, 2027.
Vermont	HB 493	Property		7/1/25	5/22/25	Extends Vermont's telephone personal property tax by a year, repealing the tax on July 1, 2026, instead of July 1, 2025.
Virginia	HB 960	Personal Income		1/1/25	4/4/24	Increases the maximum amount of the historic rehabilitation tax credit that may be claimed by a taxpayer in any taxable year from \$5 million to \$7.5 million, including amounts carried over from prior taxable years.
Virginia	HB 1600	Misc.		7/1/25	5/2/25	Mobile sports betting operators will see changes to their tax treatment. Specifically, operators will be prohibited from excluding bonuses or promotions from their adjusted gross revenue after they have been in operation for 12 months.
Virginia	Virginia Department of Motor Vehicles	Excise		7/1/25		Taxes on gasoline, diesel, and alternative fuels will increase from 30.8 to 31.7 cpg, and the diesel tax will increase from 31.8 to 32.7 cpg. The additional wholesale tax will increase by 3 cpg, to 9.3 cpg on gasoline and 9.4 cpg on diesel. The Highway Use Fee will also be automatically adjusted.

State	Bill Number	Tax Category	Fee Category	Effective Date	Enactment Date	Change Summary
Washington	RCW 84.36.680	Property Tax		1/1/25		Exempts the state portion of personal property tax for qualifying renewable energy facilities. Renewable energy facilities that are granted the personal property tax exemption must also pay new excise taxes based on the generation or storage capacity of the facilities.
Washington	SB 5813	Misc.		7/1/25	5/20/25	Increases the estate tax exemption from \$2.193 million to \$3 million and establishes a progressive rate structure with a top rate of 35% for estates exceeding \$9 million, making Washington the state with the highest estate tax rate in the nation. This is dramatically higher than Hawai'i's 20% top rate, with which Washington was previously tied, and more than double the next-highest top rate of 16%, found in multiple states.
Washington	SB 5801	Excise		7/1/25	7/27/25	Will increase the gas tax from 49.4 to 55.4 cpg, and the tax on special fuel will increase by \$0.03 per gallon. Other significant changes to Washington's tax code will take effect after July 1, and are discussed later in this publication.
West Virginia	SB 2033	Personal Income		1/1/25	10/8/24	Reduces personal income tax rates by 2%.
West Virginia	§11-21-4i	Personal Income		1/1/25	3/4/23	Reduces personal income tax rates by 4% as the result of a trigger effect that reduces personal income tax rates by a maximum of 10% and triggers any time the state collects more revenue than it did in 2019.
Wisconsin	SB 268		Alcohol	1/2/25	12/7/24	Create and increase permit fees on alcohol distributors.
Wisconsin	SB 791	Transportation / Vehicle		1/1/25	3/21/24	Establishes an electric vehicle charging tax at a rate of 3 cents per kilowatt-hour.
Wisconsin	AB 1023	Personal Income		1/1/25	3/5/24	Increases the percentage of the federal child and dependent care tax credit that taxpayers can claim as a state credit from 50% to 100% and increase the amount of expenses taxpayers can use to calculate their state credit.
Wyoming	Haw. Const. art. IX, § 11	Property Tax		1/1/25	11/5/24	Creates a separate category for residential property for taxation purposes and allows the legislature to further treat owner-occupied residential property differently.
Wyoming	HB 3	Property Tax		1/1/25	3/21/24	Provides a 50% property tax exemption for homeowners aged 65+ who have paid Wyoming property taxes for at least 25 years and military members domiciled in the state. The exemption applies to a property's assessed value, sunsets July 1, 2027, and is supplemented by SB 89, which doubles the exemption for certain veterans.
Wyoming	HB 40	Property		7/1/25	2/24/25	Clarifies that occasional or isolated sales of tangible personal property are not taxable business activities. This provides relief for individuals engaging in occasional sales, usually yard sales, garage sales, or other personal property dispositions, so that such activities do not trigger registration or compliance requirements.



Interior of the Michigan State Capitol building rotunda, Lansing, Michigan.

Individual Income Tax Changes

Individual income taxes affect all Americans by shaping their spending power. For example, child tax credits (CTCs) can reduce costs for families and increase their disposable income. Many states and territories have recently restructured their [individual income tax](#) systems. Since 2021, 28 states have adopted rate reductions, while others, including the District of Columbia, have been raising their top marginal rates. In addition, states are opting for flat income tax models to simplify compliance and enhance economic competitiveness. The territories have adopted a graduated income tax system modeled after the Internal Revenue Code. Figure 1 compares the individual income tax structures throughout the country at the state level.

[Flat taxes](#) on individual income are gaining popularity among states because they are perceived as [improving tax predictability](#) via a single, consistent rate for all taxpayers. However, critics argue that without accompanying measures such as refundable credits or exemptions, flat taxes may increase the relative tax burden on lower- and middle-income households. Over the last ten years, six states have enacted a flat tax system (Arizona, Georgia, Idaho, Iowa, Louisiana,

and Mississippi), and there are a total of 15 states that have a flat income tax system (Arizona, Colorado, Georgia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Mississippi, North Carolina, Pennsylvania, Utah, and Washington). Alabama, Missouri, and Oklahoma have almost graduated-rate income tax systems, where most taxpayers have a substantial portion of their income taxed at the highest rate and effectively pay a rate close to the top rate.

In addition, state governments are reducing individual income tax rates to allow residents to keep more income. Indiana [HB 1001 \(2023\)](#), Iowa [SF 2442 \(2024\)](#), Louisiana [HB 10 \(2024\)](#), Mississippi [HB 531 \(2022\)](#), Missouri [SB 3](#), Nebraska [LB 754 \(2023\)](#), New Mexico [House Bill 252 \(2024\)](#), North Carolina [HB 259 \(2023\)](#), West Virginia [SB 2033 \(2024\)](#), and South Carolina [SB 1087 \(2022\)](#) implemented rate cuts taking effect in 2025. States are implementing rate reduction measures to offer direct tax relief, make their tax codes more competitive, and ease pressure on constituents' household budgets. This is pertinent in an era of rising living costs, with national Consumer Price Index (CPI) inflation increasing by [about 23%](#) from January 2021 to January 2025. This means if the cost of an individual's monthly market basket (e.g., spending on groceries, transportation, and clothes) was \$200 in January 2021,

this same monthly market basket would cost \$246.62 in January 2025.

Furthermore, state and territory governments are pursuing targeted relief measures to offer financial support to specific taxpayers without significantly impacting their budgets. Hawai'i [HB 2404 \(2024\)](#) sought to reduce “bracket creep” effects by raising standard deductions and widening income tax brackets. Kansas [SB 01 \(2025\)](#) aimed to provide relief for seniors by exempting Social Security benefits from taxation and increasing tax credits for dependent care expenses. Rhode Island [SB 2313 \(2024\)](#) helped retirees by expanding exempt taxable retirement income from \$20,000 to \$50,000. New Mexico [SB 424 \(2025\)](#) focuses on supporting healthcare workers in underserved communities by expanding eligibility for the Rural Healthcare Practitioner Tax Credit.

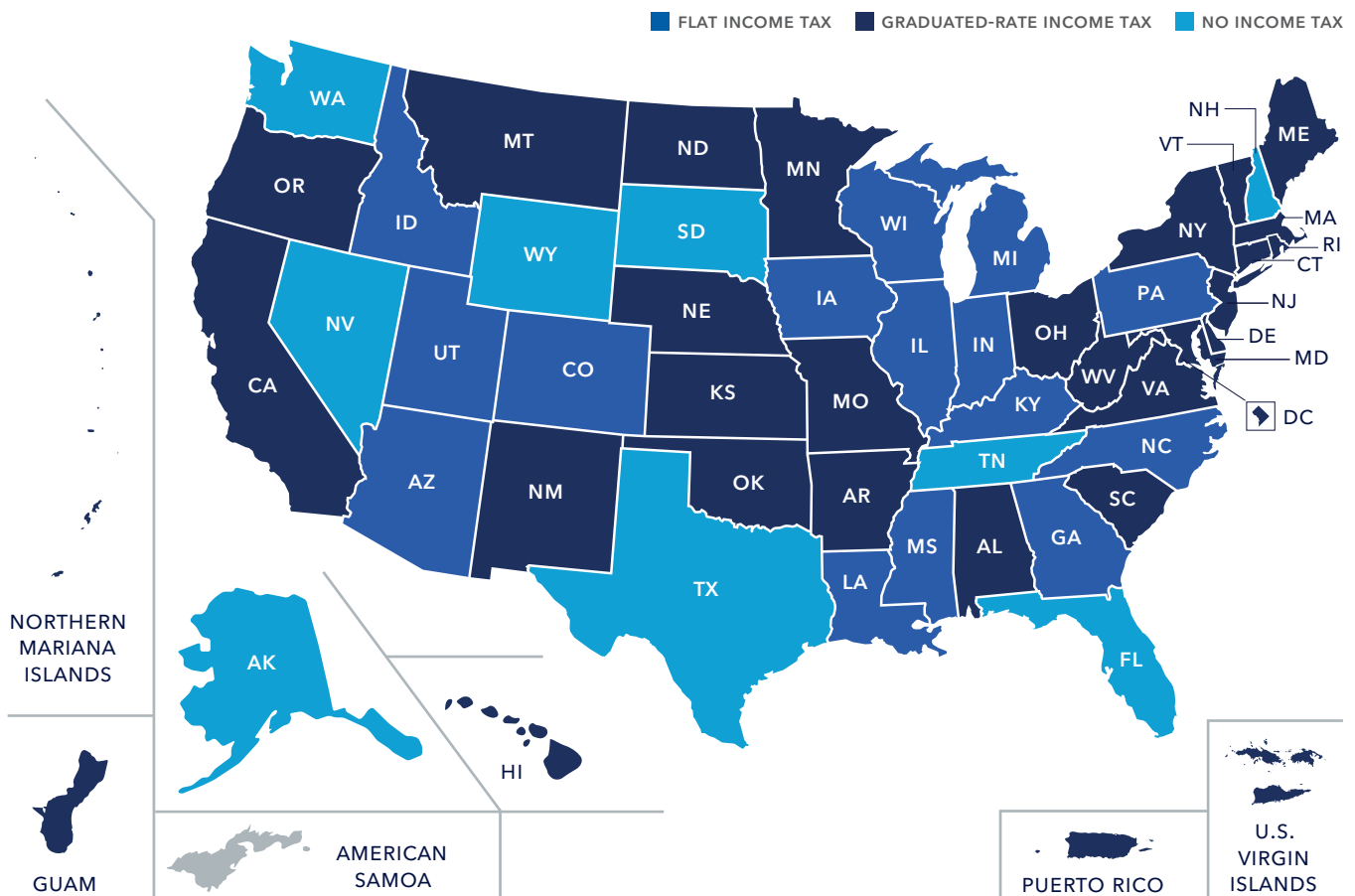
Corporate Income Tax and Other Business Tax Changes

Corporate income taxes shape key investment decisions made by American businesses. States have been revising their corporate tax structures through a mix of strategies that aim to support economic growth or stabilize revenue. The top marginal corporate income tax rate in the territories has remained unchanged within the past six years. Figure 2 compares the top marginal corporate tax rates.

Regarding rate adjustments, on the one hand, Nebraska [LB 754 \(2023\)](#), North Carolina [SB 105 \(2021\)](#), Pennsylvania [HB 1342 \(2021/2022\)](#), and Louisiana [HB 2 \(2024\)](#) lowered corporate income tax rates, with this change effective from January 2025. On the other

Figure 1: Individual Income Tax Structures By State and Territory

Figure 1 highlights the individual income tax structures of each state in 2025.



NOTE: Alabama, Missouri, and Oklahoma have nearly flat graduated-rate income taxes. Guam, the Northern Mariana Islands, and the U.S. Virgin Islands have a graduated-rate income tax modeled after the U.S. Internal Revenue Code. Figure last updated on July 31, 2025.
SOURCE: [Tax Foundation, 2025.](#)



New Mexico State Legislature, House Chamber. New Mexico State Capitol building, Santa Fe, New Mexico

hand, New Mexico [HB 252 \(2024\)](#) took the opposite approach by eliminating its lower bracket, which increased the overall rate. New Jersey [AB 4704 \(2024\)](#) took similar measures to increase the tax burden for corporations by establishing a Corporate Transit Fee. Guam [LB 11-38 \(2025\)](#) seeks to reduce the territory's Business Privilege Tax from 5% to 4%, and Puerto Rico [Act 60 \(2019\)](#) offers a corporate tax rate as low as 4%.

For capital investment incentives, Louisiana [HB 10 \(2024\)](#) adopted permanent full expensing for capital investments, while Nebraska [LB 1023 \(2024\)](#) implemented partial expensing by permitting 60% of first year costs to be deducted. These changes are intended to provide businesses with faster cost recovery and thereby make capital-intensive projects more feasible.

In addition, state governments are seeking to support business resilience and innovation through corporate tax policy. Connecticut [HB 5524 \(2024\)](#) and Rhode Island [HB 7225](#) extended net operating loss (NOL) carry-forward periods, which will allow businesses greater flexibility in offsetting future profits with past losses, affording them additional financial stability. New Jersey [AB 4558 \(2024\)](#) introduced a tax credit to promote investments in artificial intelligence.

Innovation credits drive growth in emerging sectors. Alaska [SB 113 \(2025\)](#) amends the Multistate Tax Compact and introduces tax apportionment rules for highly digitized businesses in Alaska, effective January 2026. American Samoa, via [HR 399](#), seeks to continue the American Samoa Economic Development credit to support Star-Kist, the largest private employer in the territory.

A unique example is [Delaware](#), which is known for not taxing profits from business activities conducted outside the state. If a business is incorporated in Delaware but conducts operations elsewhere, the business typically does not owe Delaware corporate income tax on profits earned from those operations.

Furthermore, states have engaged in apportionment and structural changes to corporate income tax systems. This approach reduces tax liability for multi-state businesses with significant out-of-state sales and, in doing so, attracts companies to set up headquarters or distribution centers in their state. Montana [SB 124 \(2023\)](#) and Massachusetts [HB 4104 \(2023\)](#) adopted a [single-sales factor](#) apportionment formula, which calculates tax liability based solely on sales.

Sales and Use Tax Changes

Sales taxes directly impact the prices of goods and services purchased and therefore go hand-in-hand with cost of living and household expenses. States are adjusting sales tax systems to provide additional relief and maintain stable revenue streams. These changes included grocery tax breaks, sales tax holidays, exemptions for essential goods, and business incentives. Regarding grocery tax relief state legislation, Oklahoma [HB 1955 \(2024\)](#), Kansas [HB 2106 \(2022\)](#), and Alabama [HB 386 \(2025\)](#) eliminated or reduced grocery taxes, with changes taking effect between 2023 and

2025. Similarly, Arkansas [HB 1685 \(2025\)](#) and Illinois [HB 3144 \(2025\)](#) are scheduled to eliminate grocery taxes by 2026.

In addition, state governments have expanded sales tax holidays and consumer goods exemptions. Florida [SB 7034 \(2025\)](#) aimed to renew several sales tax holidays for items such as disaster preparedness supplies, school supplies, recreational gear, and power tools. California [AB 1203 \(2023\)](#) eliminated the sales tax on breast pumps. And South Carolina [HB 3563 \(2024\)](#) exempted feminine hygiene products from the state's sales tax. Arizona, Georgia, Indiana, Mississippi, Maine,

Figure 2: Comparing Corporate Income Tax Rates

Figure 2 shows top marginal corporate income tax rates by region, as of January 1, 2025

CSG Midwest

MINNESOTA	9.8%
ILLINOIS	9.5%
WISCONSIN	7.9%
IOWA	7.1%
KANSAS	6.5%
MICHIGAN	6.0%
NEBRASKA	5.2%
INDIANA	4.9%
NORTH DAKOTA	4.3%
OHIO	0%
SOUTH DAKOTA	0%

CSG East

PUERTO RICO	37.5%
U.S.V.I.	23.1%
NEW JERSEY	11.5%
MAINE	8.9%
DELAWARE	8.7%
VERMONT	8.5%
CONNECTICUT	8.3%
D.C.	8.3%
MARYLAND	8.3%
MASSACHUSETTS	8.0%
PENNSYLVANIA	8.0%
NEW HAMPSHIRE	7.5%
NEW YORK	7.2%
RHODE ISLAND	7.0%

CSG West

AMERICAN SAMOA	34.0%
GUAM	21.0%
N.M.I.	21.0%
ALASKA	9.4%
CALIFORNIA	8.8%
OREGON	7.6%
MONTANA	6.8%
HAWAI'I	6.4%
NEW MEXICO	5.9%
IDAHO	5.7%
ARIZONA	4.9%
UTAH	4.6%
COLORADO	4.4%
WASHINGTON	0%
WYOMING	0%
NEVADA	0%

CSG South

ALABAMA	6.5%
TENNESSEE	6.5%
WEST VIRGINIA	6.5%
VIRGINIA	6.0%
FLORIDA	5.5%
LOUISIANA	5.5%
GEORGIA	5.4%
KENTUCKY	5.0%
MISSISSIPPI	5.0%
SOUTH CAROLINA	5.0%
ARKANSAS	4.3%
MISSOURI	4.0%
OKLAHOMA	4.0%
NORTH CAROLINA	0%
TEXAS	0%

NOTE: Ohio, South Dakota, Nevada, Washington, Wyoming, North Carolina, and Texas do not have a corporate income tax.

SOURCE: Tax Foundation, 2025.



Utah State Capitol building, Salt Lake City, Utah.

Missouri, Nebraska, New Jersey, and Tennessee have [introduced sales tax exemptions](#) aimed at reducing operating costs for businesses.

Furthermore, state governments utilize [sales tax base](#) expansions to broaden sales tax bases and capture new revenue. Louisiana [HB 10 \(2024\)](#) restored its 5% sales tax rate, ending a temporary sales tax reduction and expanding its sales tax base to include digital goods. Georgia [HB 581 \(2024\)](#) authorized local governments to impose new local sales taxes to offset the cost of newly enacted property tax relief programs.

States continue to use tax incentives to spur economic growth and boost business investment. Georgia [SB 344 \(2024\)](#) adopted a corporate income tax break for companies that are utilizing grants for broadband infrastructure investments. Similarly, Florida [HB 7073 \(2024\)](#), Utah [HB 153 \(2024\)](#), and Wisconsin [AB 1023 \(2024\)](#) enacted or enhanced CTCs and similar family support programs. These CTC-related policies not only enable families to offset the rising costs of raising children and improve financial stability but also incentivize businesses to offer childcare solutions that benefit both employers and working families.

Other Tax Changes, Routine Adjustments and Administrative Changes

There are other taxes that impact various aspects of life for Americans, such as property, gas, and electric vehicle (EV) taxes. States and territories are pursuing adjustments to additional tax categories in an effort to stabilize revenue structures, promote fairness, and support public services. Wyoming [SJ 0003 \(2023\)](#) led to the approval of a [ballot measure](#) that separates residential and non-residential property classifications. New Jersey [AB 4011 \(2024\)](#) raised gasoline and diesel taxes. North Carolina [GS 105-449.80](#) decreased its motor fuels tax rate to 40.3 cents per gallon. Wisconsin [SB 791 \(2023\)](#) imposed a three cent per kilowatt-hour excise tax on electricity delivered to an EV's battery from an EV charging station. And Rhode Island [HB 7225 \(2024\)](#) expanded its tax base to include electronic nicotine-delivery system products.

Furthermore, state governments implement standard tax adjustments at the beginning of each calendar year. This includes updates to income tax brackets, standard deductions, unemployment insurance tax formulas, and interest rates on unpaid taxes. These updates play a key role in maintaining accurate and functional tax systems.

New Tax Legislation Enacted in 2025

Legislators can keep abreast of best practices and examples of successful tax reforms by monitoring recent tax legislation passed by states and territories. In the first quarter of 2025, several states enacted new tax laws to reflect evolving priorities. These new tax laws included income and corporate tax adjustments, enhanced compliance measures, and business incentives.

Regarding income tax changes, Kentucky [HB 1 \(2025\)](#) reduced its individual income tax rate from 4% to 3.5%. Kansas [SB 269 \(2025\)](#) adopted a flat 4% individual income tax rate which replaced its graduated structure. Mississippi [HB 1 \(2025\)](#) advanced its phased income tax reduction with future cuts tied to revenue triggers. The same legislation lowered the grocery sales tax and increased the gas tax.

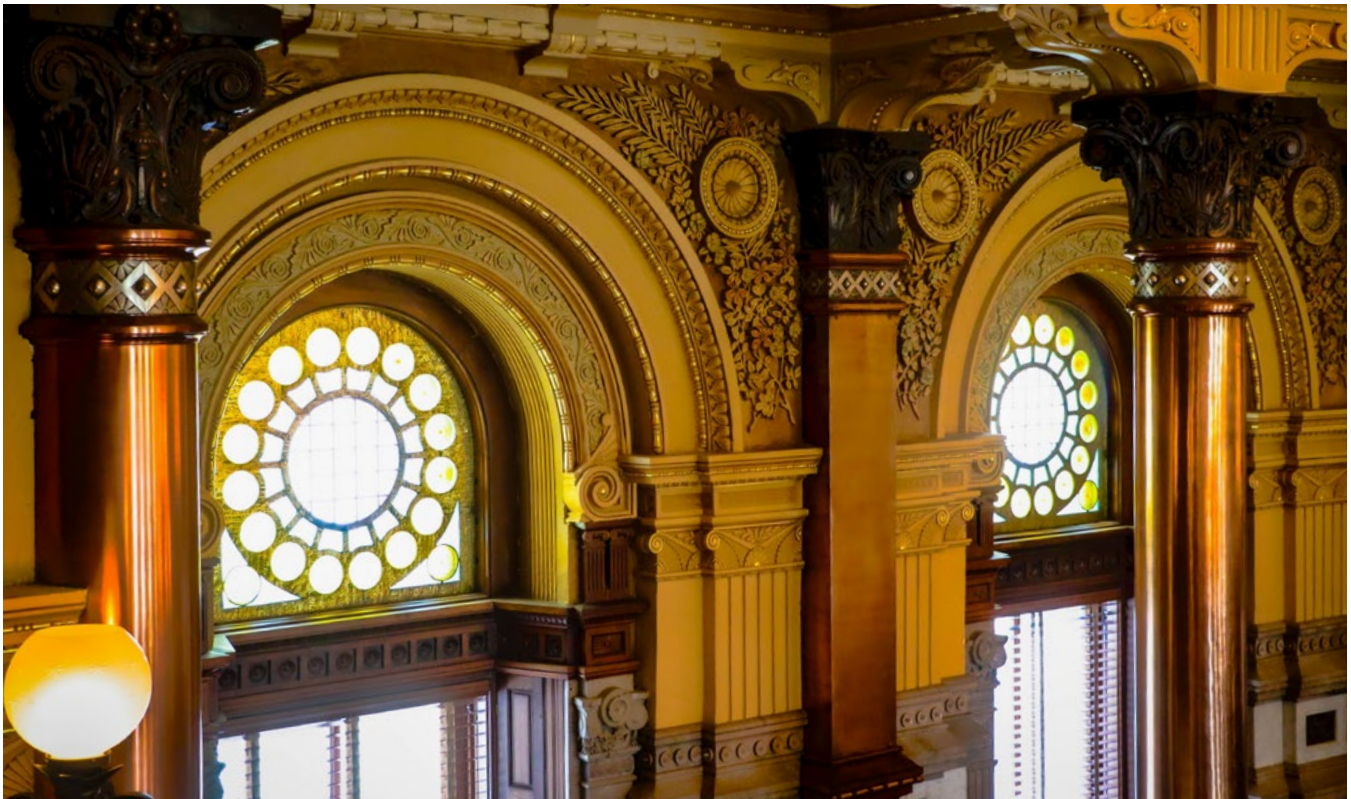
On corporate income tax adjustments, Idaho [HB 40 \(2025\)](#) reduced the state corporate income tax rate from 5.695% to 5.3%. Utah [HB 153 \(2025\)](#) lowered the state corporate income tax rate from 4.55% to 4.5%.

Alabama [HB 379 \(2025\)](#) exempts specific categories of nonresidents from state individual income taxes if they worked for 30 or fewer days in the state during the year.

On state governments' conformity with federal tax laws, Arizona [HB 2688 \(2025\)](#), Idaho [HB 3 \(2025\)](#), Kentucky [HB 775 \(2025\)](#), Ohio [HB 14 \(2025\)](#), South Dakota [HB 1028 \(2025\)](#), and West Virginia [HB 2025 \(2025\)](#) all passed measures to meet Internal Revenue Code requirements for 2025.

On administrative and regulatory changes to state tax systems, Illinois [HB 4951 \(2024\)](#) implemented previously enacted limitations on net operating loss deductions through 2026.

On state-level incentives and credits, Michigan [HB 5100 \(2023\)](#) and [HB 5101 \(2024\)](#) reintroduced a research and development (R&D) tax credit, applicable to tax years beginning in 2025. [Texas](#) issued guidance on how to apply franchise tax credits and carry forwards. [North Dakota](#) updated its Voluntary Disclosure Program to clarify eligibility and look-back requirements.



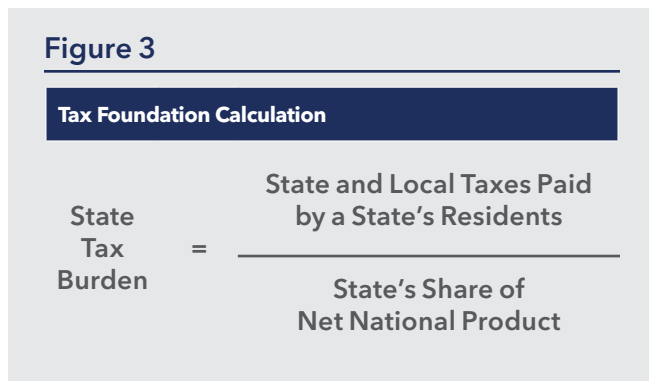
Kansas State Capitol building, Topeka, Kansas.

State Tax Burden and Revenue Tax Structures: Understanding the Landscape

The [state and local tax burden](#) reflect the share of personal income residents pay toward state taxes, with direct implications on their quality of life in terms of their disposable income, cost-of-living, and quality of public services they receive. These taxes include individual and corporate income taxes, property taxes, general and selective sales taxes, and various miscellaneous taxes. Policy makers should not only evaluate the efficiency and sustainability of their tax systems but also understand how tax systems impact households across income levels and business activity.

Methodology for Calculating Tax Burdens

While there are several ways in which tax burdens can be calculated at both the federal and state level. Figure 3 shows a clear formula provided by the [Tax Foundation](#).



This formula reallocates certain revenues to the states where taxpayers reside, rather than where the tax is collected, as it accounts for “tax exporting” (e.g., when tourists pay sales tax or nonresidents pay property tax on second homes). Also, this resident-based estimate of the tax burden helps distinguish between a state’s tax collections and the actual tax experience of its residents.

To provide an example, there is a state where 9,000 households have an average income of \$30,000 and an average total tax rate of 10% on this income (\$27 million in taxes paid). Also, in this state, 1,000 households have an average income of \$60,000 with an average total tax rate of 20% on this income (\$12 million in taxes paid). The state’s total income, or its share of net national product, would be \$330 million. Total taxes paid would be \$39 million. The average state tax burden would therefore 39 million divided by 330 million, or 11.8%.

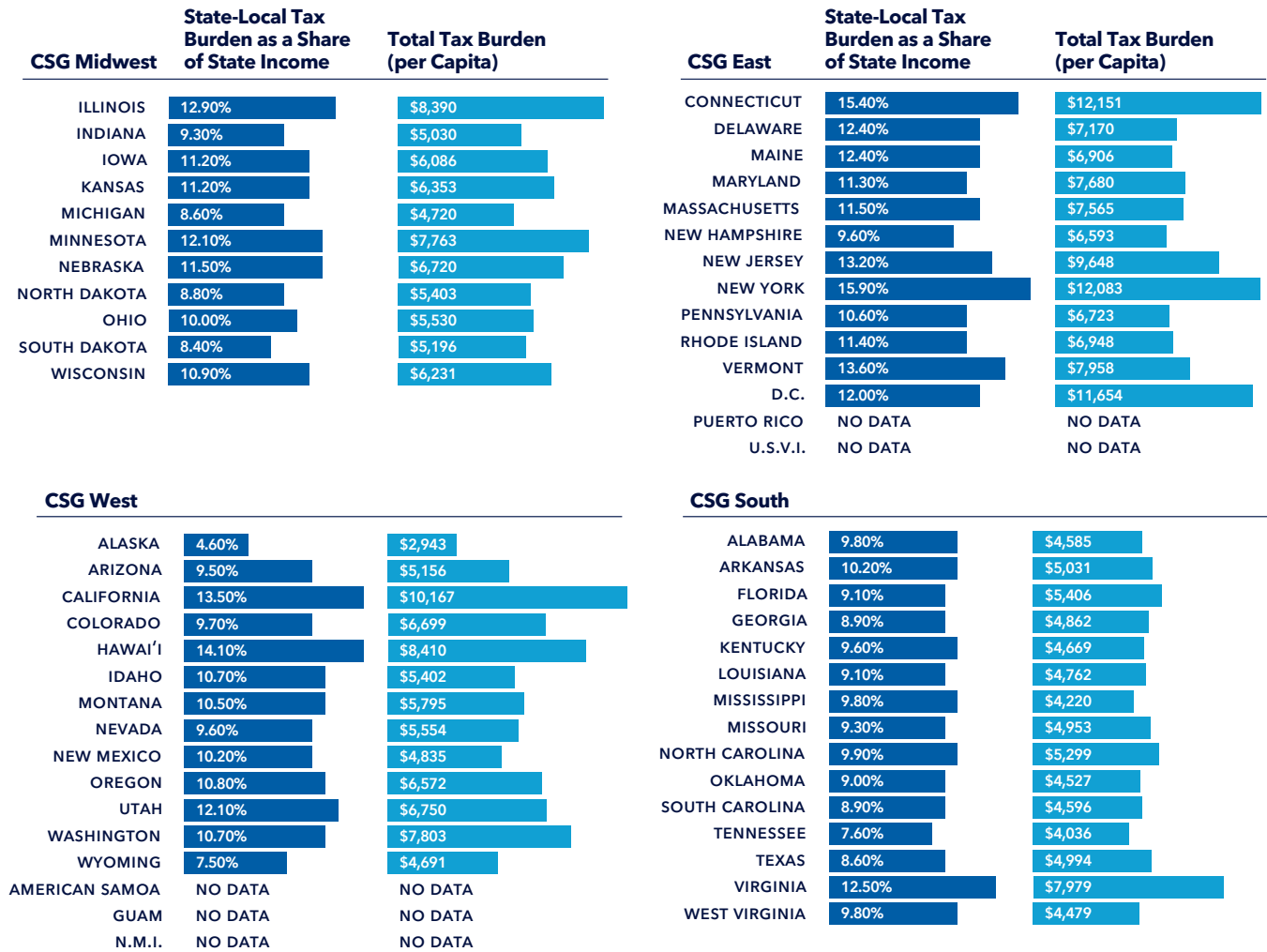
Variations in Tax Burdens Across States

State and local tax burdens vary throughout the country, highlighting the broad spectrum of fiscal structures, policy choices, and economic conditions. The latest data from the [Annual Survey of State and Local Government Finances](#), from 2022, shows that per-capita tax collections differ, ranging from under \$3,000 in Alaska to over \$12,000 in New York and Connecticut. These differences amount to several thousand dollars per year for a middle-income family, with notable implications for household budgets, financial planning, and decisions to relocate. [Figure 4](#) directly compares state and territory tax burden levels by geographic region.

States seek to ensure alignment between tax systems, fiscal goals, and the needs of their residents. In states with higher tax burdens, tax revenue is used to support a wide range of public services (e.g., education), economic growth, and affordability. In lower-burden states, tax revenue is used to maintain core government services and anticipate future needs. It is important to clarify that tax burden figures alone do not provide a complete picture of a state’s fiscal health or the quality of its public services. The value that residents receive from state public spending can vary depending on how revenues are allocated and managed and varies greatly by income bracket.

Figure 4: How Much Do Residents Pay? State and Territory Tax Burdens by CSG Region

Figure 4 compares state and local tax burdens by showing the share of personal income paid in taxes and the total amount collected per resident. Each state and territory is compared to its regional CSG peers.



NOTE: As of June 2, 2025, the latest data from the Annual Survey of State and Local Government Finances (ALFIN) is from 2022. Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCE:** Tax Foundation, [State-Local Tax Burden Rankings FY 2022](#)

Regional trends in tax burden and factors

Regional patterns offer valuable insights into the spectrum of tax burdens across different states. In the CSG East region, all states (except for New Hampshire and Pennsylvania) reported tax burdens above the national average of 11.2%. In contrast, in the CSG South region, all states (except Virginia) have lower tax burdens than the national average. The CSG Midwest and West regions displayed a less clear trend, with states being both above and below the national average.

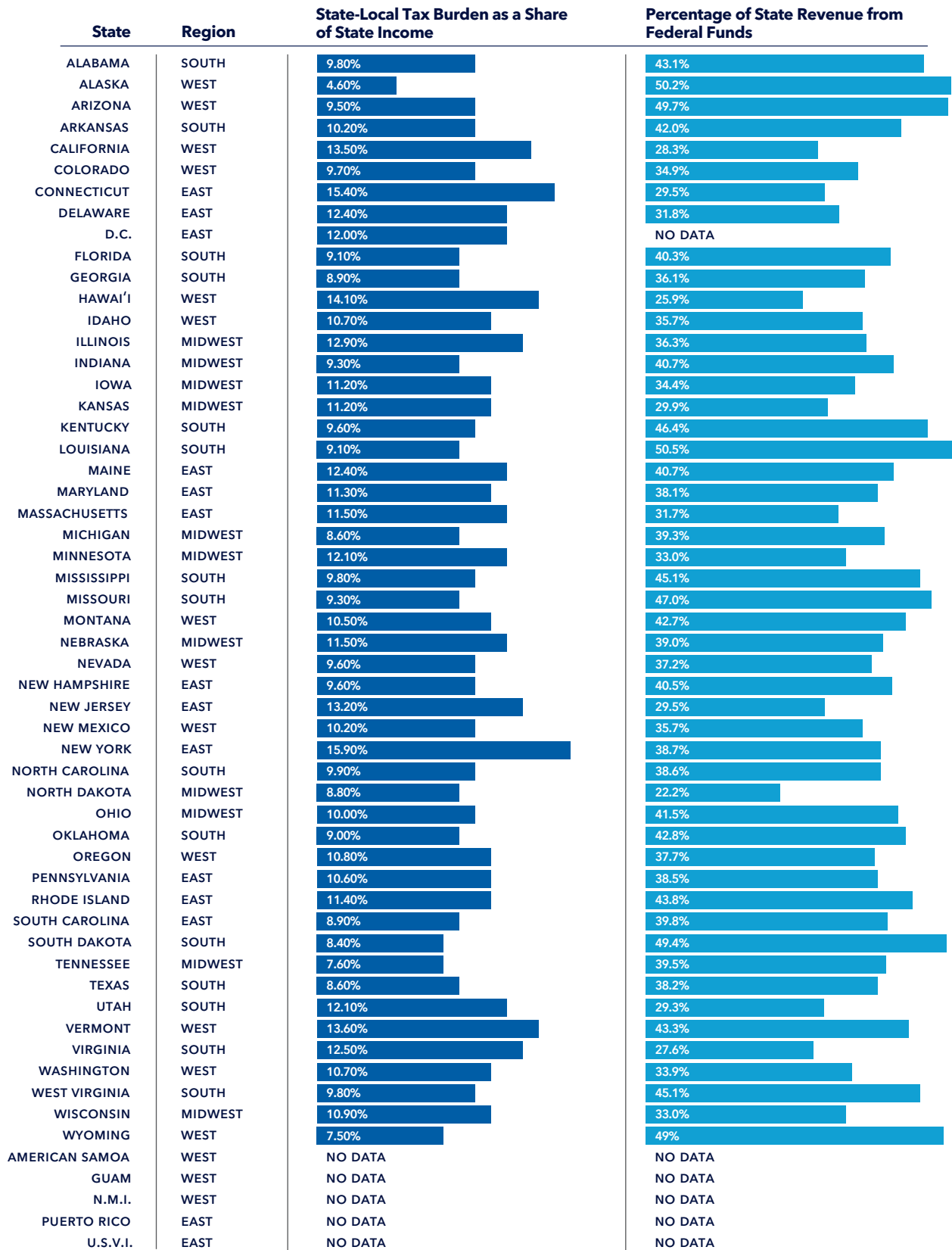
Several structural and economic factors help explain why certain states consistently report relatively higher

or lower tax burdens. On the one hand, New York, Connecticut, and Hawai'i have historically higher tax burdens. In many cases, these states have higher levels of public spending in areas such as education, which require more robust revenue streams.

On the other hand, states that rely heavily on tourism taxes may export a significant portion of their tax burden to nonresidents. This can result in lower measured burdens for residents despite high per-capita collections. Florida, for example, ranks lower in tax burden partly due to its tourism-driven economy, where both visitors and residents contribute to state revenues. Another factor is federal funding. There are

Figure 5: State Expenditure Sourced from Federal Funds and State-Local Tax Burden

Figure 5 compares state-local tax burdens with the percentage of state expenditures sourced from federal funds.



NOTE: As of July 31, 2025, the latest data presented is from 2022. Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCES:** Tax Foundation, 2025; Pew Research Center, 2024.

states with relatively low state-local tax burdens that source a significant percentage of state revenue from federal funding, such as Alaska and Louisiana. Figure 5 compares state-tax burdens with state and territory revenue sourced from federal funds.

State-local tax burden levels also evolve over time due to changes in economic conditions, tax policy, and revenue collection trends. A strong stock market may temporarily raise tax burdens in states with high-income earners, while recessions may reduce collections or shift the mix of taxes paid. Understanding these dynamics can help state policymakers evaluate whether their current revenue systems are aligned with long-term fiscal goals and the needs of their constituents.

How have tax burdens changed over time?

Across the last four decades, state-local tax burdens have fluctuated, with significant variations across states. On the one hand, Alaska’s tax burden declined from 8.9% in 1980 to 4.6% in 2022 due to its reliance on oil revenues and absence of broad-based income or sales taxes. On the other hand, Connecticut’s tax burden rose from 10.5% to 15.4% over the same period, influenced by the introduction of a broad-based income tax in the early 1990s and a growth in per capita income. These examples not only illustrate how state-specific economic factors and policy choices contribute to the evolving landscape of tax burden but also provide useful insights for policymakers as they formulate policies related to state-local tax burdens.

Tax Structures and Their Implications

The tax burden of any state or territory is influenced not only by the types of taxes it decides to levy but also by how those taxes are structured and applied. The difference between tax policy as it appears on paper versus the actual experience of taxpayers is best understood through concepts of “statutory tax rates” and “effective tax rates.”

The statutory tax rate is the rate on taxable income in a certain tax bracket. The effective tax rate is the percentage of income paid after factoring in tax breaks such as deductions, credits, and exemptions. For example, an individual making \$50,000 is found to be in a bracket with a maximum statutory tax rate of 20%. However, the effective tax rate for this individual could be 8% after factoring in the standard deduction and other eligible tax breaks.

This difference between statutory and effective rates explains why states with similar tax structures on paper could produce different outcomes in practice. For policymakers, comparing both measures provides a clearer picture of how tax policy affects different households and whether tax policies are working as intended.

The Tax Foundation’s State Tax Competitiveness Index also compares the tax competitiveness of each state. Table 2 compares each state’s index score relative to its CSG region’s average score and national average score.

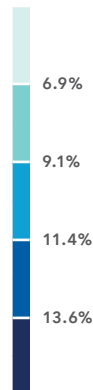


Senate Chamber of the State House, Hartford, Connecticut

Table 2: How State-Local Tax Burdens Have Shifted Over Time

Table 2 shows changes in state-local tax burdens as a percentage of state income from 1980–2022. The data highlights how tax burdens have evolved nationally and across individual states over time.

State	CSG Region	1980	1990	2000	2010	2020	2022
U.S. AVERAGE		10.40%	10.70%	9.70%	10.60%	11.20%	11.20%
ALABAMA	SOUTH	9.30%	9.50%	8.80%	9.20%	10.00%	9.80%
ALASKA	WEST	8.90%	6.10%	5.10%	7.20%	5.00%	4.60%
ARIZONA	WEST	10.20%	10.70%	8.90%	9.20%	9.80%	9.50%
ARKANSAS	SOUTH	9.20%	9.30%	9.40%	10.80%	10.90%	10.20%
CALIFORNIA	WEST	11.40%	11.30%	10.70%	12.00%	12.90%	13.50%
COLORADO	WEST	10.00%	10.40%	8.90%	9.50%	10.10%	9.70%
CONNECTICUT	EAST	10.50%	11.10%	11.30%	12.90%	13.70%	15.40%
DELAWARE	EAST	10.30%	9.20%	8.60%	9.70%	12.20%	12.40%
D.C.	EAST	13.80%	12.90%	11.50%	9.80%	11.60%	12.00%
FLORIDA	SOUTH	8.70%	9.20%	8.60%	10.00%	9.20%	9.10%
GEORGIA	SOUTH	9.90%	10.50%	9.30%	9.50%	9.40%	8.90%
HAWAII	WEST	11.00%	10.60%	9.90%	10.80%	13.70%	14.10%
IDAHO	WEST	10.50%	11.00%	10.20%	10.00%	10.20%	10.70%
ILLINOIS	MIDWEST	10.60%	10.60%	9.40%	10.90%	12.50%	12.90%
INDIANA	MIDWEST	8.30%	9.50%	8.40%	9.90%	9.30%	9.30%
IOWA	MIDWEST	10.70%	11.00%	9.50%	10.00%	11.80%	11.20%
KANSAS	MIDWEST	9.60%	10.30%	9.60%	10.10%	10.80%	11.20%
KENTUCKY	SOUTH	9.80%	10.30%	10.00%	9.70%	10.20%	9.60%
LOUISIANA	SOUTH	8.00%	8.50%	8.40%	8.20%	9.30%	9.10%
MAINE	EAST	10.90%	11.50%	10.90%	10.90%	12.10%	12.40%
MARYLAND	EAST	11.60%	11.60%	10.60%	10.90%	12.60%	11.30%
MASSACHUSETTS	EAST	12.10%	11.40%	10.00%	10.90%	11.40%	11.50%
MICHIGAN	MIDWEST	10.60%	10.60%	9.60%	10.20%	9.60%	8.60%
MINNESOTA	MIDWEST	10.90%	11.50%	10.30%	11.30%	12.70%	12.10%
MISSISSIPPI	SOUTH	9.40%	9.50%	9.10%	9.30%	9.80%	9.80%
MISSOURI	SOUTH	9.40%	9.90%	9.30%	9.50%	9.50%	9.30%
MONTANA	WEST	9.60%	10.00%	8.90%	9.50%	10.80%	10.50%
NEBRASKA	MIDWEST	10.80%	10.30%	9.60%	10.20%	11.70%	11.50%
NEVADA	WEST	7.80%	8.20%	7.20%	8.80%	10.20%	9.60%
NEW HAMPSHIRE	EAST	8.50%	8.60%	7.70%	8.80%	9.40%	9.60%
NEW JERSEY	EAST	12.10%	11.90%	11.00%	13.00%	12.80%	13.20%
NEW MEXICO	WEST	9.30%	10.80%	9.90%	9.10%	11.60%	10.20%
NEW YORK	EAST	13.20%	13.10%	11.70%	13.20%	14.90%	15.90%
NORTH CAROLINA	SOUTH	10.20%	10.50%	9.70%	10.50%	10.10%	9.90%
NORTH DAKOTA	MIDWEST	10.80%	10.40%	9.40%	9.50%	9.90%	8.80%
OHIO	MIDWEST	9.20%	10.50%	10.20%	10.20%	10.60%	10.00%
OKLAHOMA	SOUTH	8.70%	10.00%	9.70%	9.30%	9.60%	9.00%
OREGON	WEST	11.20%	11.80%	10.10%	10.90%	11.90%	10.80%
PENNSYLVANIA	EAST	10.70%	10.60%	9.90%	10.60%	10.80%	10.60%
RHODE ISLAND	EAST	11.60%	11.40%	11.10%	11.40%	12.00%	11.40%
SOUTH CAROLINA	SOUTH	9.70%	10.20%	9.10%	8.80%	9.90%	8.90%
SOUTH DAKOTA	MIDWEST	8.90%	8.30%	7.20%	7.90%	8.80%	8.40%
TENNESSEE	SOUTH	8.00%	8.10%	7.00%	7.90%	7.60%	7.60%
TEXAS	SOUTH	7.70%	8.70%	7.50%	8.40%	8.70%	8.60%
UTAH	WEST	11.10%	11.20%	10.40%	10.00%	11.80%	12.10%
VERMONT	EAST	10.80%	11.10%	10.10%	10.80%	12.80%	13.60%
VIRGINIA	SOUTH	10.40%	10.50%	9.80%	10.00%	12.40%	12.50%
WASHINGTON	WEST	9.60%	10.10%	8.60%	9.90%	11.40%	10.70%
WEST VIRGINIA	SOUTH	10.20%	10.00%	9.70%	10.50%	10.70%	9.80%
WISCONSIN	MIDWEST	12.20%	12.30%	11.50%	11.70%	11.60%	10.90%
WYOMING	WEST	7.90%	6.90%	6.70%	8.30%	9.30%	7.50%
AMERICAN SAMOA	WEST	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
N.M.I.	WEST	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
GUAM	WEST	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
PUERTO RICO	EAST	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
U.S.V.I.	EAST	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA



NOTE: As of July 31, 2025, the latest data presented is from 2022. Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCE:** Tax Foundation, 2022

A positive deviation score means a state or territory's tax structure is more competitive than its CSG regional or national average. In other words, a higher tax competitiveness index score indicates that a state has a well-structured and relatively neutral tax system. South Dakota has the highest index score among its CSG Midwest peers as it forgoes individual income, corporate income, and gross receipts taxes. Wyoming has the highest score among its CSG West peers as it does not have individual income and corporate income taxes, instead relying on severance taxes and pipeline property taxes. New Hampshire has the highest index score among its CSG East peers as it does not have a sales tax and has an individual income tax that only applies to income on interest and dividends. Florida

has the highest index score among its CSG South peers as it has no individual income tax, a competitive corporate income tax (5.5%), a relatively low sales tax rate, and no tax on capital stock.

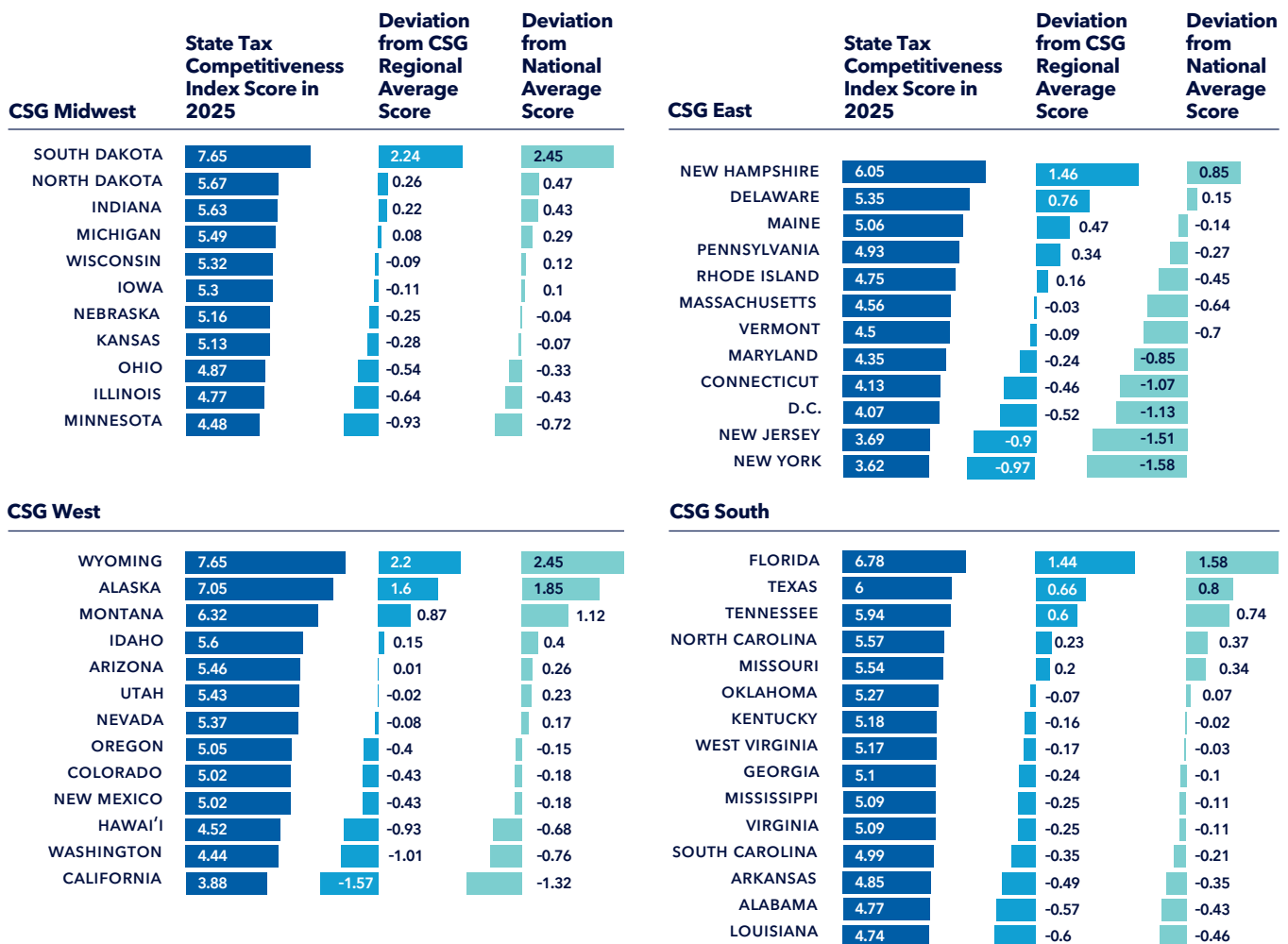
Major State Tax Sources and Trends

Where states get their revenue

States and territories rely on various taxes to fund public services, with most states drawing revenue from a combination of individual income, corporate income, and sales taxes. It is important for state leaders, policymakers, and the public to understand

Figure 6: Comparing State Tax Competitiveness in 2025

Figure 6 shows each state's Tax Competitiveness Index Score in 2025, and compares it with the CSG regional average score and national average score. A higher score indicates that a state has lower tax competitiveness, while a lower score indicates that a state has a higher tax competitiveness.



NOTE: Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico, and the Northern Mariana Islands. The average scores are as follows: National Average Score: 5.20; CSG Midwest: 5.45; CSG East: 4.59; CSG West: 5.45; CSG South: 5.34.

SOURCE: TaxFoundation, 2025

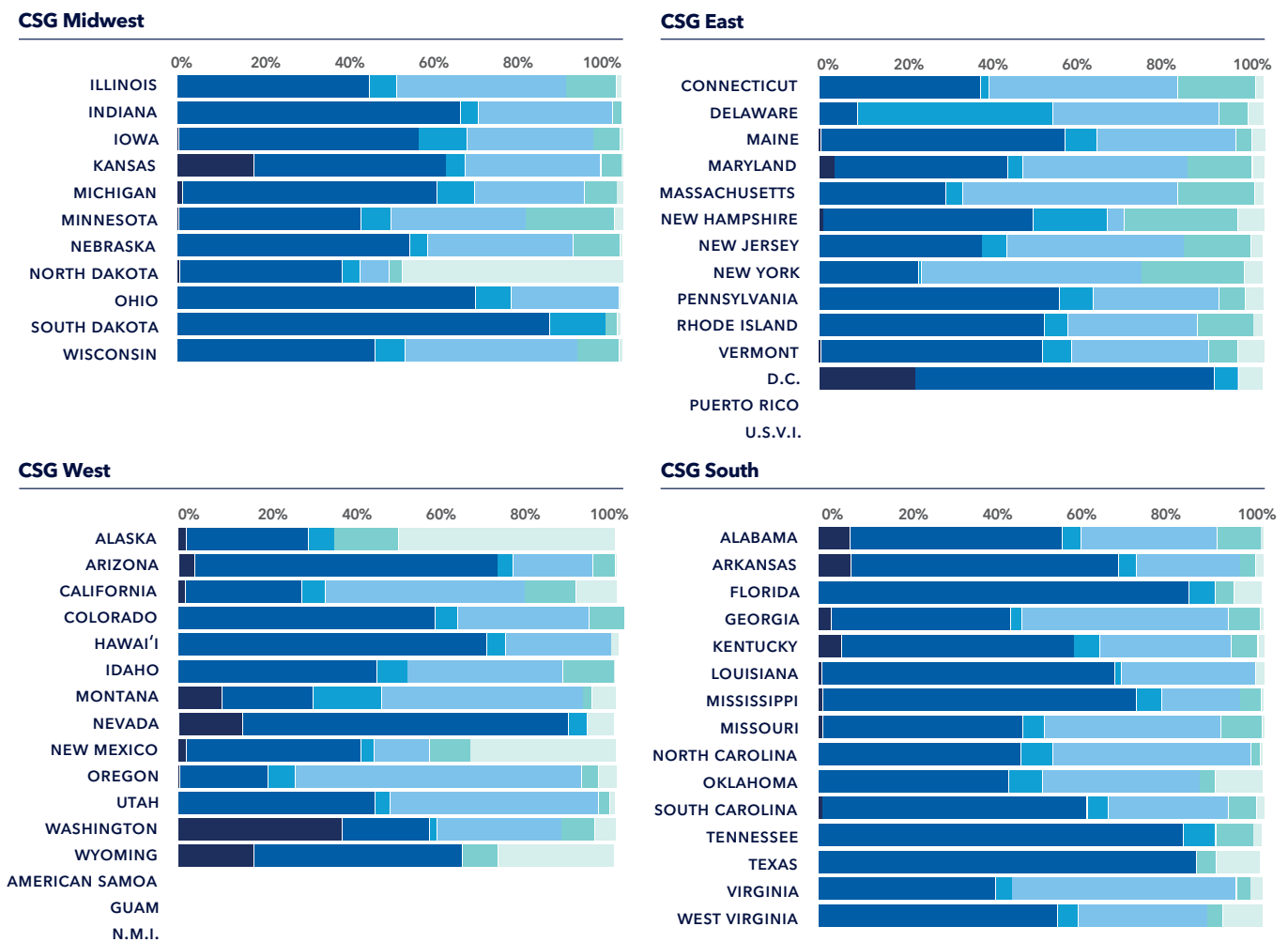
the various sources of state taxes and how they may impact a region's economic health. According to [2024 data](#) from the Annual Survey of State Government Tax Collections, the largest sources of total state tax collections were individual income taxes (32.6%), general sales taxes (31.6%), other taxes including selective sales taxes and license fees (22.7%), corporate income taxes (11.3%), and property taxes (1.8%).

Income and sales taxes together serve as the primary revenue source in most states. However, the dominant sources of tax collections vary by state. Florida, Texas,

and Nevada rely on general sales taxes for revenue generation. Oregon, Massachusetts, and Connecticut generate a larger share of revenue from individual income taxes. New Hampshire and Alaska rely more on business taxes, property taxes, or severance taxes that are tied to natural resources output. Differences in approaches to taxation highlight how states meet their revenue needs based on specific economic factors.

Figure 7: State and Territory Tax Revenue, by Source

Figure 7 shows the percentage share of major tax sources by state. The latest data are from Q1, June 2025.



NOTE: "Other Taxes" includes death and gift, severance, documentary and stock transfer, and other miscellaneous tax categories that are NEC (not elsewhere classified). Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico, and the Northern Mariana Islands. The Census Bureau dataset shows that (1) Hawai'i and Louisiana have negative corporation net income and (2) Colorado has negative severance tax revenues. This explains the negative percentages presented in figure. **SOURCE:** U.S. Census Bureau, 2025; CSG Calculations.

How States Structure Major Taxes

Individual Income Tax

In 2022, individual income taxes accounted for 32.6% of all state tax collections. Forty-two states, the District of Columbia, and the five territories levy individual income taxes. Washington has an individual income tax that applies only to capital gains. Eight states do not tax wage income at all, including New Hampshire, which is eliminating its tax on interest and dividends by 2025. States that forgo individual income taxes generally seek revenue from other sources such as sales taxes.

Among the states and territories with individual income taxes, tax structures vary widely, and these structural differences can cause taxpayers at similar income levels

to face different experiences. For example, a flat tax structure with few deductions or a regressive tax structure will lead to a higher effective tax rate for lower and middle-income residents, while a progressive system might reduce the burden on those same groups. For lower-and-middle-income households, these differences impact take-home pay, financial planning, and overall costs of living.

For state and territory policymakers, these choices reflect broader tradeoffs between simplicity and revenue stability. Flat taxes may be easier to administer and communicate, while graduated systems can better align tax obligations with the ability to pay. How a state structures its income tax can influence the satisfaction of its residents, the movement of businesses and people in or out of the state, and general long-term fiscal health in terms of revenue stability.

Figure 8: Top Marginal Individual Income Tax Rates and Structures

Figure 8 displays the top marginal individual income tax rates and structures for each state and territory as of 2025.

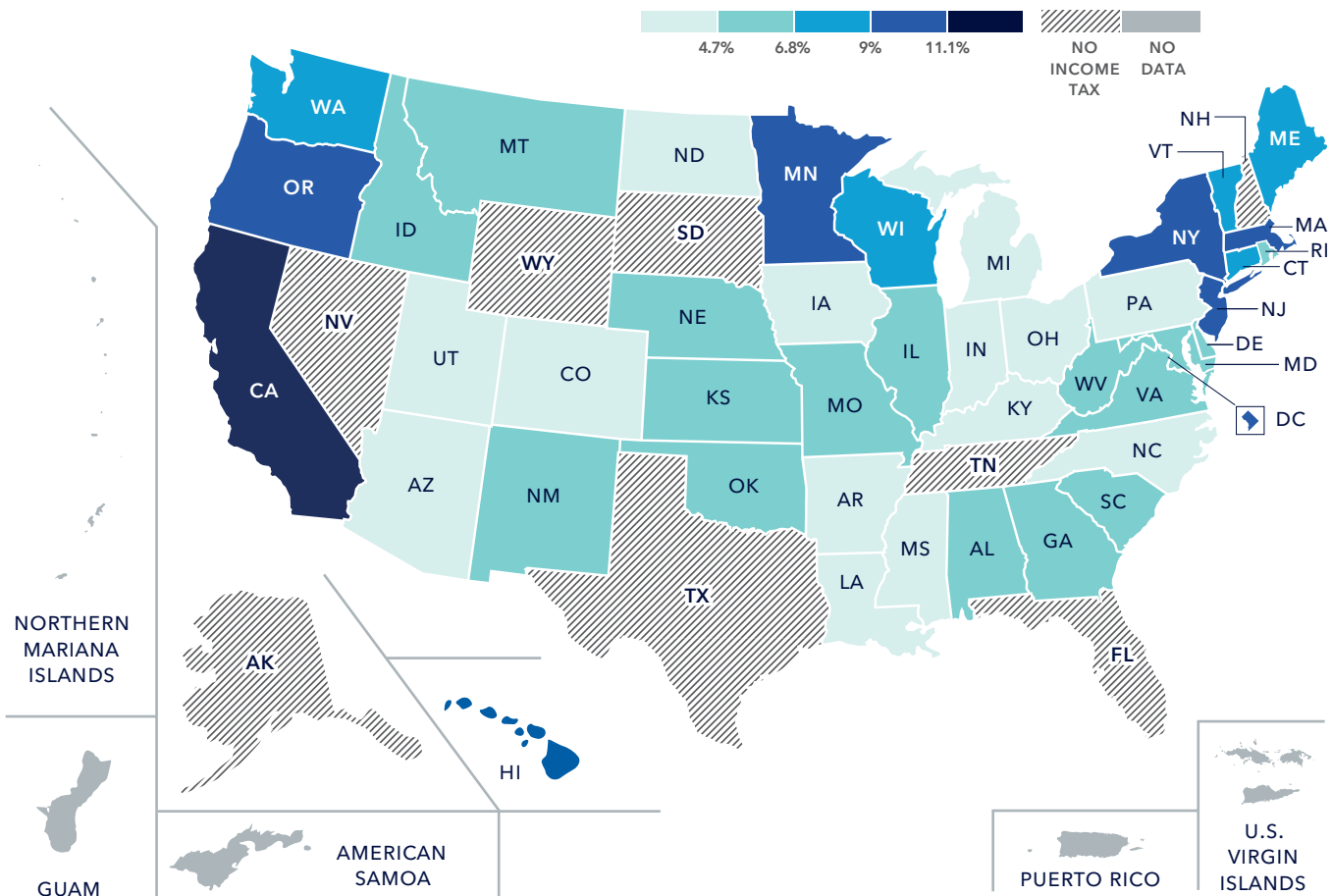
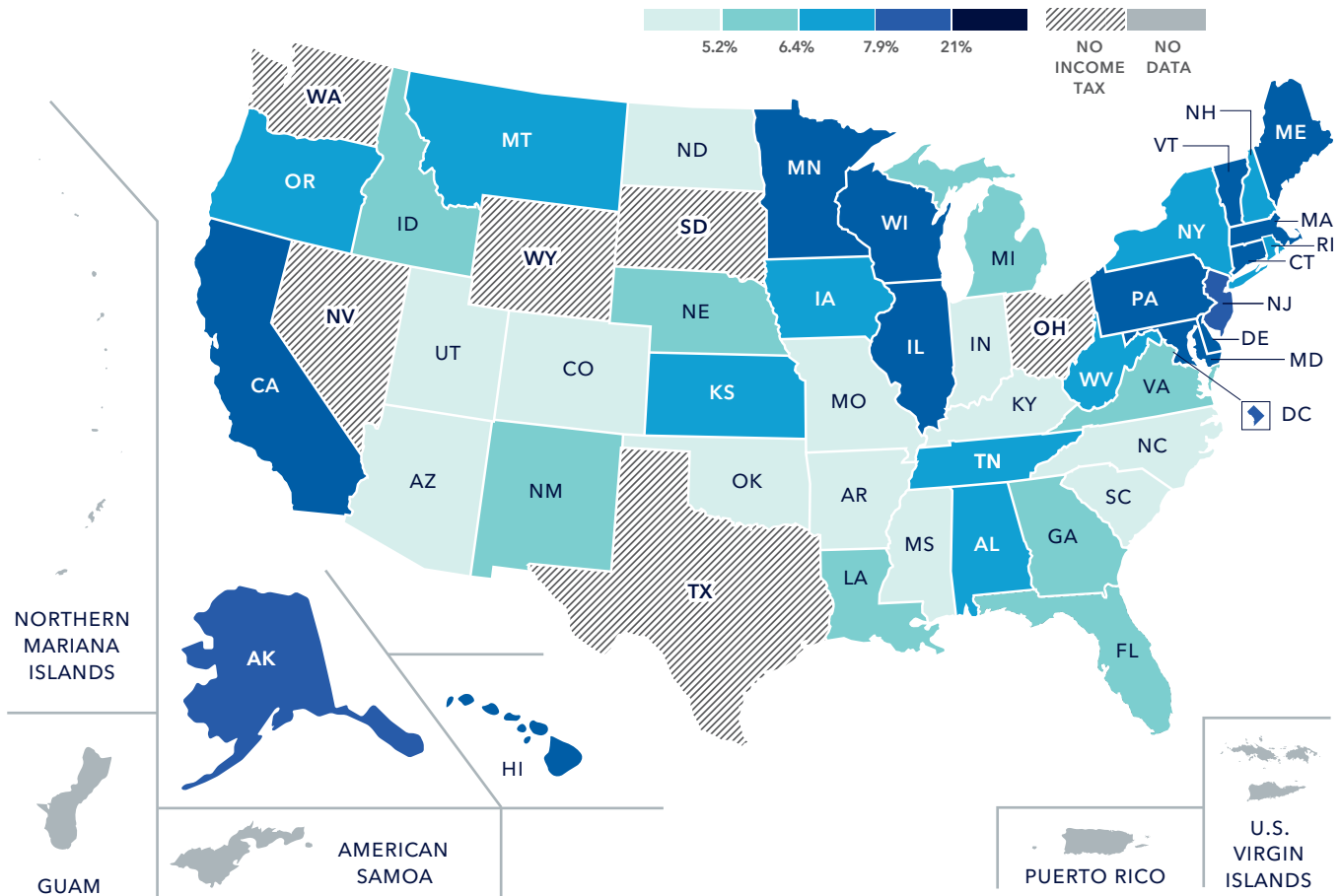


Figure 9: Top Marginal Corporate Income Tax Rates

Figure 9 displays the top marginal corporate income tax rates and structures for each state and territory as of 2025.



NOTE: This map reflects state-level corporate income tax structures but does not include additional taxes some states impose such as gross receipts taxes, surcharges, or local taxes. Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCE:** [Tax Foundation](#), 2025

These policy decisions take many forms across U.S. states and territories. Fourteen states use a flat rate, while 27 states (along with the District of Columbia and the territories) use graduated-rate systems. Six states have only two tax brackets, while Hawai'i has twelve brackets. Top marginal individual income tax rates range from 2.5% in Arizona and North Dakota to 13.3% in California, which also imposes a 1.1% payroll tax.

States also differ in how their rates are applied, with some rates reaching top brackets at lower income levels and others targeting higher income levels. For example, a household earning \$60,000 would fall in Virginia's upper bracket, while the same income in California would be taxed at a lower rate as the top bracket does not apply until household income exceeds \$1

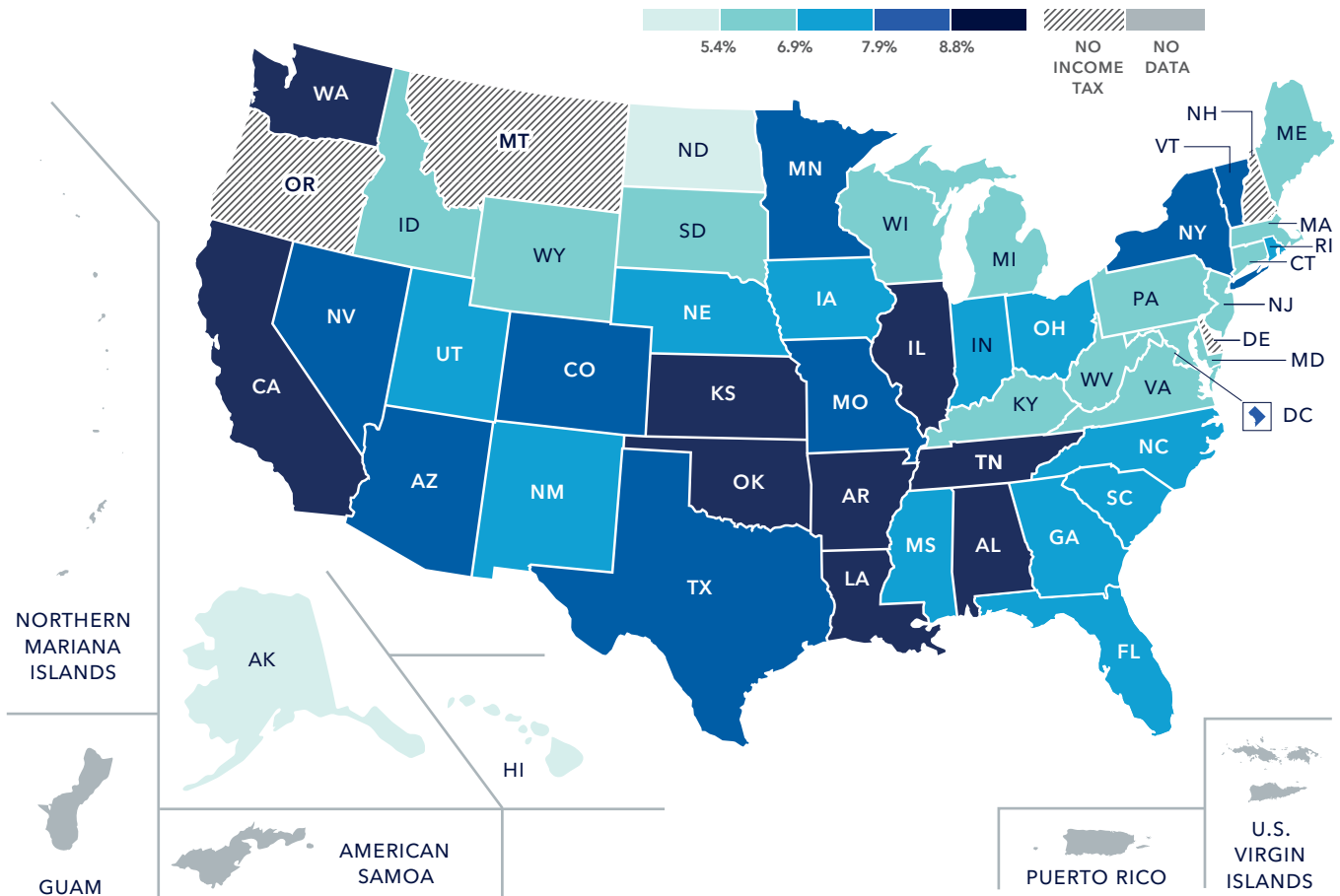
million. State and territory tax systems vary in deductions, exemptions, and how they adjust brackets for inflation or marriage penalties.

Beyond structural differences, states also vary in reliance on individual income taxes. In 2024, Oregon collected 55% of its total revenue from individual income taxes, the highest share overall among states and territories, followed by Massachusetts (52%), Georgia (48%), and Montana (48%). By contrast, North Dakota collected only 6% of total revenue from individual income taxes.

In addition, [states and the territories](#) begin income tax calculations with federal adjusted gross income (AGI). Colorado, Idaho, North Dakota, Oregon, and South Carolina diverge from this norm by starting income tax

Figure 10: Combined State & Average Local Sales Tax Rates

Figure 10 displays the combined state and average local sales tax rates for each state and territory as of 2025



NOTE: This map reflects state-level corporate income tax structures but does not include additional taxes some states impose such as gross receipts taxes, surcharges, or local taxes. Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCE:** Tax Foundation, 2025

calculations with federal taxable income. While most states and territories mirror federal tax rules, there is divergence on policies such as taxing municipal bond interest from other states and offering exemptions for pension income. Federal tax policies, such as the 2017 Tax Cuts and Jobs Act (TCJA) and the pandemic era expansion of both the earned income tax credit (EITC) and the child tax credit (CTC), have carried over into many state tax systems.

Corporate income tax

Forty-four states levy a corporate income tax, with top rates ranging from a low of 2.25% in North Carolina to a high of 11.5% in New Jersey. The average and median top rates for all states are both 6.5%. Louisiana, Nebraska, North Carolina, and Pennsylvania reduced corporate income taxes. New Mexico and New Jersey

increased corporate taxes. State corporate tax rates vary across the country. Alaska, Illinois, Minnesota, and New Jersey have a top rate exceeding 9%. By contrast, Arizona, Arkansas, Colorado, Indiana, Kentucky, Mississippi, Missouri, North Carolina, North Dakota, Oklahoma, South Carolina, and Utah have established top rates for corporate income tax at 5% or lower. Nevada, Ohio, Texas, and Washington impose gross receipts taxes in place of corporate income taxes, taxing total revenue rather than profits.

Although corporate income taxes account for a small share of total revenue in most states, there are exceptions. In 2024, corporate taxes accounted for 34% of New Hampshire's total state tax collections, followed by Nebraska (21%), Alaska (20%), and New York (19%). In most states, corporate taxes represent about 10% or



Louisiana Senate Chamber, Louisiana State Capitol building, Baton Rouge, Louisiana

less of total tax collections. States that rely on corporate taxes face greater exposure to business cycle fluctuations, as corporate profits tend to be more volatile than other sources of income. During economic downturns, declines in profitability or business activity may reduce corporate tax collections, posing challenges to budget planning. This volatility may prompt states and territories to evaluate the adequacy of reserve funds or explore strategies to improve revenue stability. Understanding how corporate tax reliance interacts with broad economic trends can inform long-term fiscal planning.

Sales and gross receipts taxes

General sales taxes are a significant component of state revenue, contributing approximately 32% of total tax collections in 2024. Unlike selective sales taxes on specific purchases (e.g., alcohol, motor fuel, and tobacco), general sales taxes apply more broadly across consumer purchases and are therefore more stable over time.

Forty-five states, along with Guam and Puerto Rico, impose a statewide sales tax, and 38 states allow local governments to levy additional sales taxes. Local sales tax rates can contribute to increasing the tax burden on consumers. In Memphis, Tennessee, residents face more than 9% in combined sales taxes and may decide

to shop in Mississippi, where combined sales taxes are lower. Louisiana, Tennessee, and Arkansas have the highest average combined state and local sales tax rates of 10.12%, 9.56%, and 9.46%, respectively. Alaska, Hawai'i, and Wyoming have combined sales tax rates below the national average of 1.82%, 4.50%, and 5.44% respectively. In 2024, 64% of state tax collections in Florida were from general sales taxes, with South Dakota (63%), Texas (62%), and Washington (61%) close behind. These four states forgo individual income taxes.

These differences in state and territory sales tax rates influence consumer behavior. For example, consumers are encouraged to engage in cross-border shopping or online purchases. The scope of what is taxed also plays a key role in how much revenue a state can generate. For example, states that exempt groceries or medicine from sales taxes are trading-off more revenue for more affordable prices on goods and services.

States and territories should balance the benefits of broad and stable revenue sources with cost-of-living concerns for low-income communities that may be affected by high sales taxes. Similarly, communities at state borders may be sensitive to rate disparities as even slight differences can affect consumer decisions and the competitiveness of local businesses.

Cost of Living Comparisons Among States

The cost of living, and how it impacts individuals' tax burdens, is an important factor to consider when formulating state and territory tax policy. In FY 2023, the national average per capita state tax collection was estimated to be \$4,262 and the per capita income \$43,289. While these national estimates give only a broad overview of the tax burden that individuals face when taking into account geographic variations, it is a useful reference point and benchmark by which to compare states and CSG regions.

Cost of living indices and geographic variation

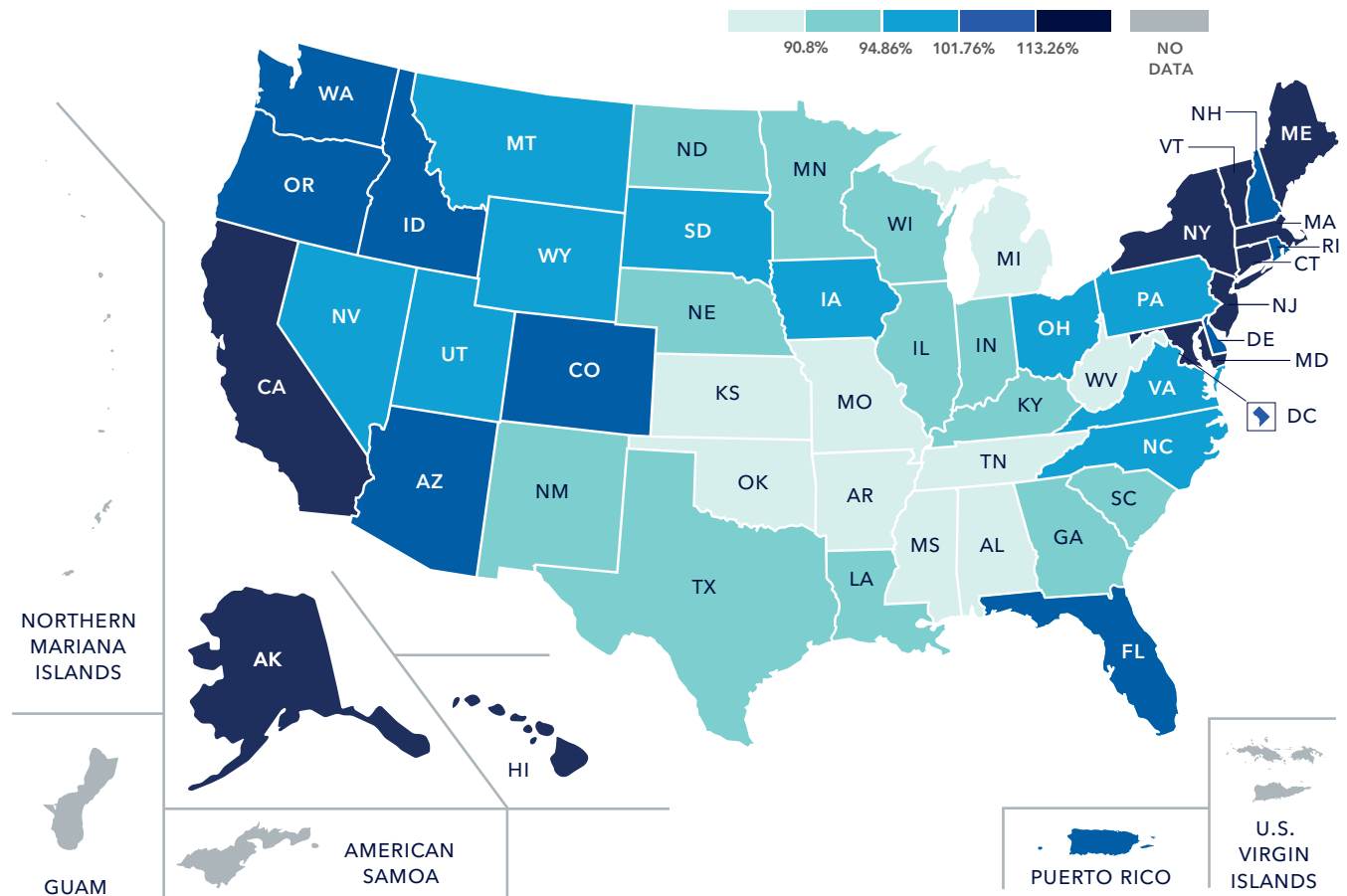
The cost of living is usually computed as an index number that reflects the cost of essential goods and

services that consumers must purchase to maintain a basic standard of living (e.g., cost of housing, food, healthcare, transportation, and utilities). The cost of living varies across and within states due to variances in local economies.

The Cost-of-Living Index (COLI), conducted by the Council for Community and Economic Research (C2ER), compares the cost of living across the United States. The Missouri Economic Research and Information Center (MERIC) uses C2ER's data to compute a state-level Composite COLI. According to MERIC, the states with the highest Q1 2025 COLI scores were Hawai'i (182.3), Massachusetts (145.1), California (141.6), and the District of Columbia (135.2). Oklahoma (85.5), Mississippi (87.3), and Alabama (87.6) have the lowest COLI scores.

Figure 11: Cost of Living Index, 2024 Annual Average

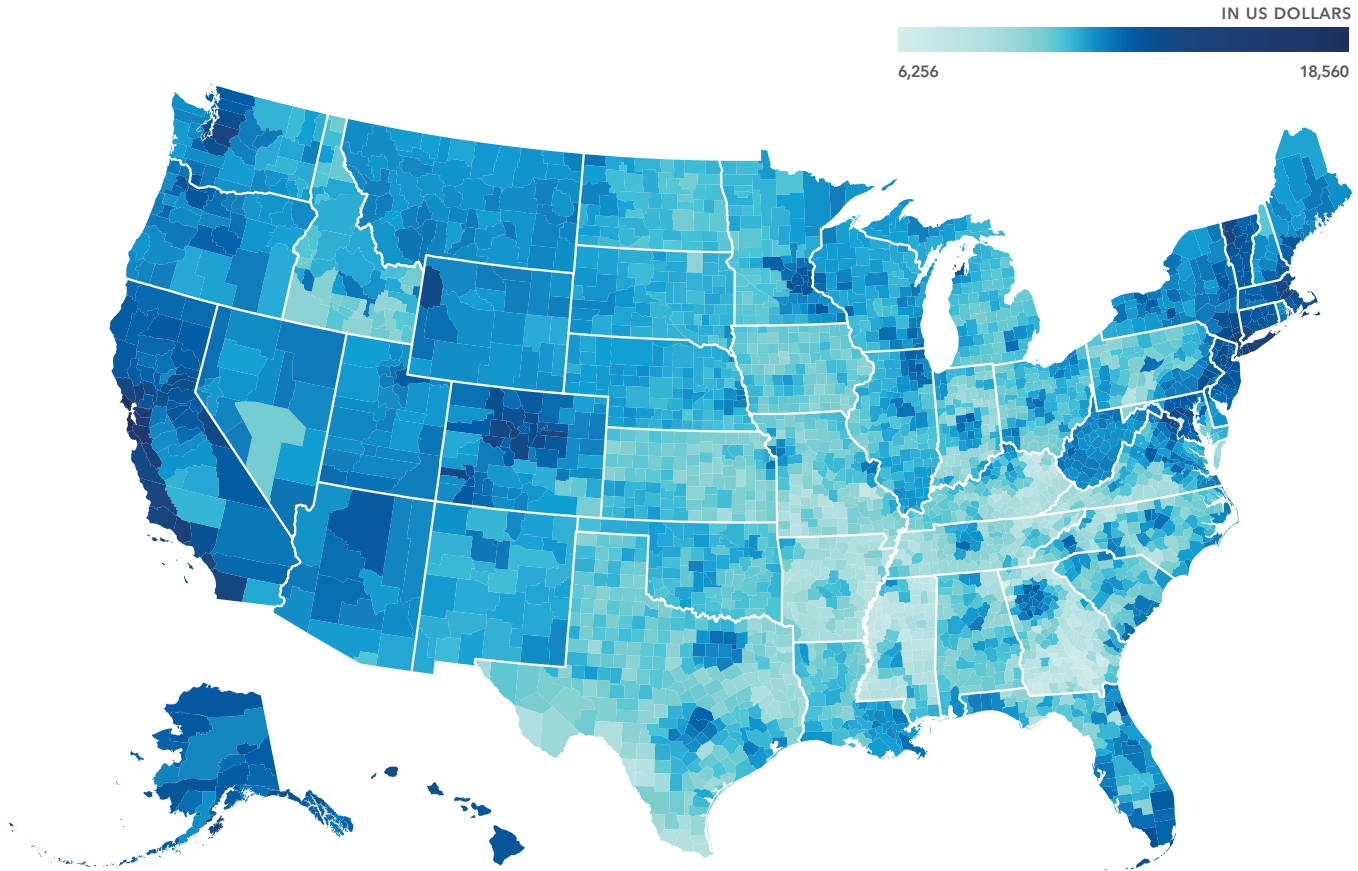
Figure 11 shows the 2024 annual average cost of living index. The index score for the United States, as a whole country, is 100. The higher the score, the higher the cost of living, and vice versa.



NOTE: Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam and the Northern Mariana Islands. **SOURCE:** Missouri Economic and Research Information Center, 2025

Figure 12: Average Monthly Household Costs by County, 2024

Based on a household of two adults and two children



NOTE: Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands.

SOURCE: Economic Policy Institute, 2025

The cost of living, along with tax burden levels, varies by geography. The taxes consumers pay (including sales and excise taxes, taxes withheld for social security and Medicare, property taxes, and income taxes) influence their disposable income and economic mobility. State and local tax policies either ease or exacerbate cost-of-living pressures on consumers. Understanding the interaction between tax systems and cost of living is critical for policymakers to create tax systems that balance the need to raise revenue with the need to support residents in all income brackets.

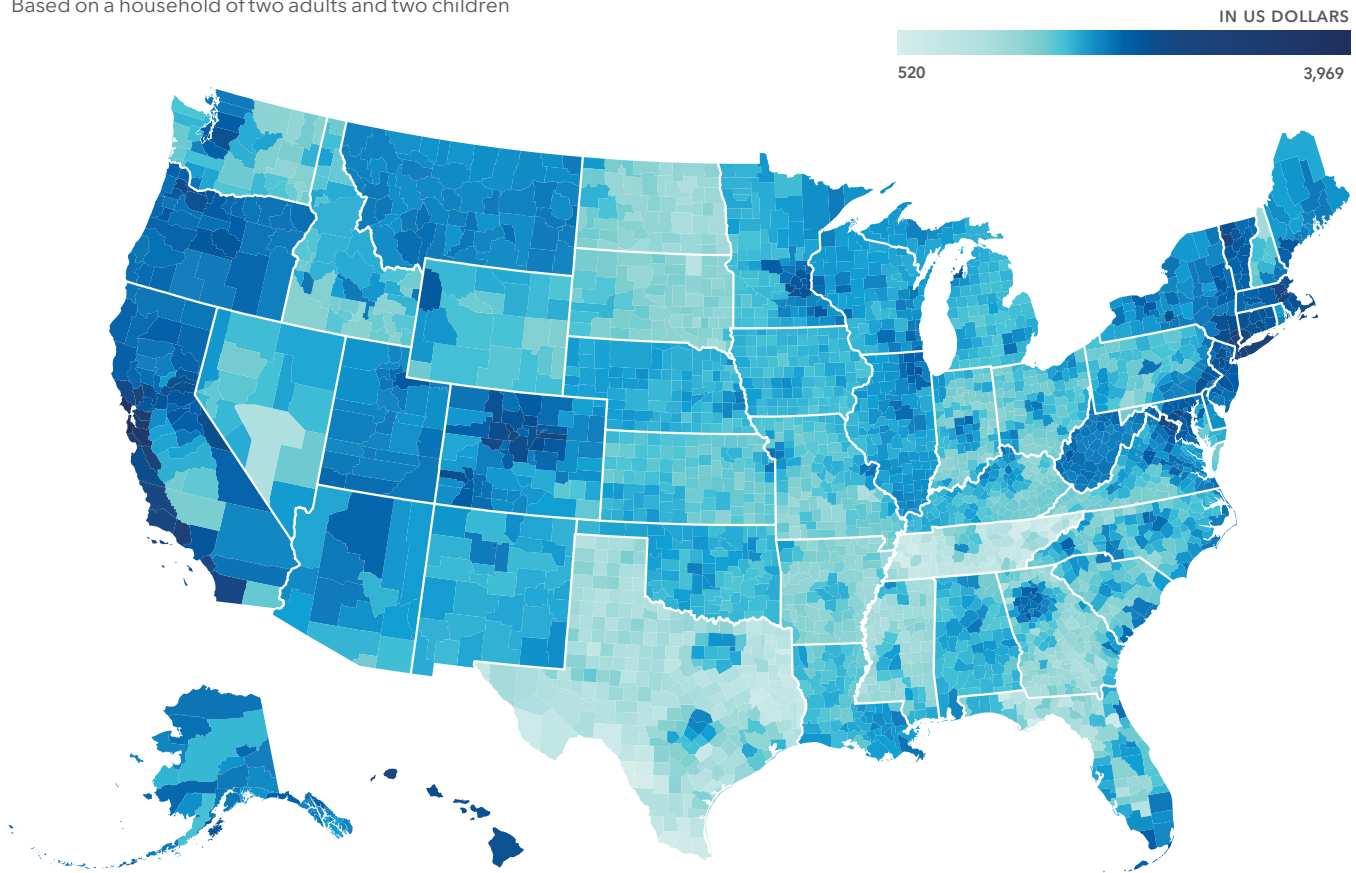
There are alternatives to the [COLI](#). One is the Bureau of Labor Statistics' [Consumer Price Index](#) (CPI), which measures the average change over time of the price that consumers pay for a representative basket of consumer goods and services. Another is the Economic Policy Institute's [Family Budget Calculator](#) (FBC) which estimates the income needed for a family to maintain

a basic standard of living. While the CPI does factor in taxes, the FBC factors in the average taxes paid by a household along with basic living costs. The CPI and FBC tabulate annual and monthly budgets required for families of varying sizes in any county or metro area, enabling granular comparisons.

The following comparisons are based on a two-adult, two-child household. In 2024, the county with the lowest total monthly budget needed to sustain a minimum standard of living was Chattooga County, Georgia, at \$6,256. The same family would need to earn nearly three times as much (\$18,560 monthly) to have a comparable standard of living in San Mateo County, California. These figures underscore not only how local prices drive disparities in cost-of-living between states and territories but also that a middle-class income in one state can be insufficient in another state due to cost-of-living differences.

Figure 13: Average Monthly Household Taxes by County, 2024

Based on a household of two adults and two children



NOTE: Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands.

SOURCE: Economic Policy Institute, 2025

State and local taxes: Impacts on household budgets and disposable income

State and local taxes impact a household's disposable income. The tax base of a state can increase or decrease cost-of-living pressures, depending on the structure of state taxes. The county level provides a more detailed analysis. These two maps consider the percentage of a typical family's basic monthly expenses spent on taxes.

The findings show substantial variation across counties and within the same state. A household with two adults and two children in Campbell County, Tennessee, spends 7.8% of their monthly budget on taxes to maintain an adequate standard of living. If this same family were to live in San Mateo County, California, they would spend over one-fifth (21.3%) of their monthly budget on taxes to maintain the same standard of living.

Regarding these figures, the EPI [FBC](#) includes federal and state income taxes but does not include local taxes sales tax (which is calculated as an expense in the other categories) due to the complexity of calculations.

Of the 100 counties with the lowest percentages of a family's monthly budget spent on taxes, four are in Florida, 50 are in Tennessee, and 46 are in Texas. This shows a clear grouping in specific states with no individual income tax. Tennessee has numerous counties where the percentage of a family's monthly budget spent on taxes is under 8%, despite a combined state and local sales tax of over 9%. Texas has many counties with shares between 8% to 9%. These figures align with these states' tax policies, as they do not levy individual income tax. In these states, family monthly budgets are mostly spent on direct costs of goods and services.

Of the 100 counties with the largest percentages of a family's monthly budget spent on taxes, 20 are in

California, 14 in New York, 12 in Oregon, 11 in Colorado, eight in Connecticut, eight in Massachusetts, eight in Virginia, five in Hawai'i, four in Minnesota, three in Maryland, three in Vermont, two in New Jersey, and one in Illinois and the District of Columbia. California and New York have counties where the percentage of a family's monthly budget spent on taxes ranges from 10% to above 15%. The ratios for California and New York reflect the combined effect of not only high incomes and thus increased income tax liabilities, but also expensive costs: Families in these states earn enough to be in higher brackets for state and federal taxes, where the costs are inflated and tax bills are proportionally elevated.

There is also significant variation within a single state. Arlington County, Va., is a high-income and urban county with a tax share of 18.8%. However, half of Virginia's counties' tax shares range from 10.2% to 12.5%, which is lower than that of Arlington County.

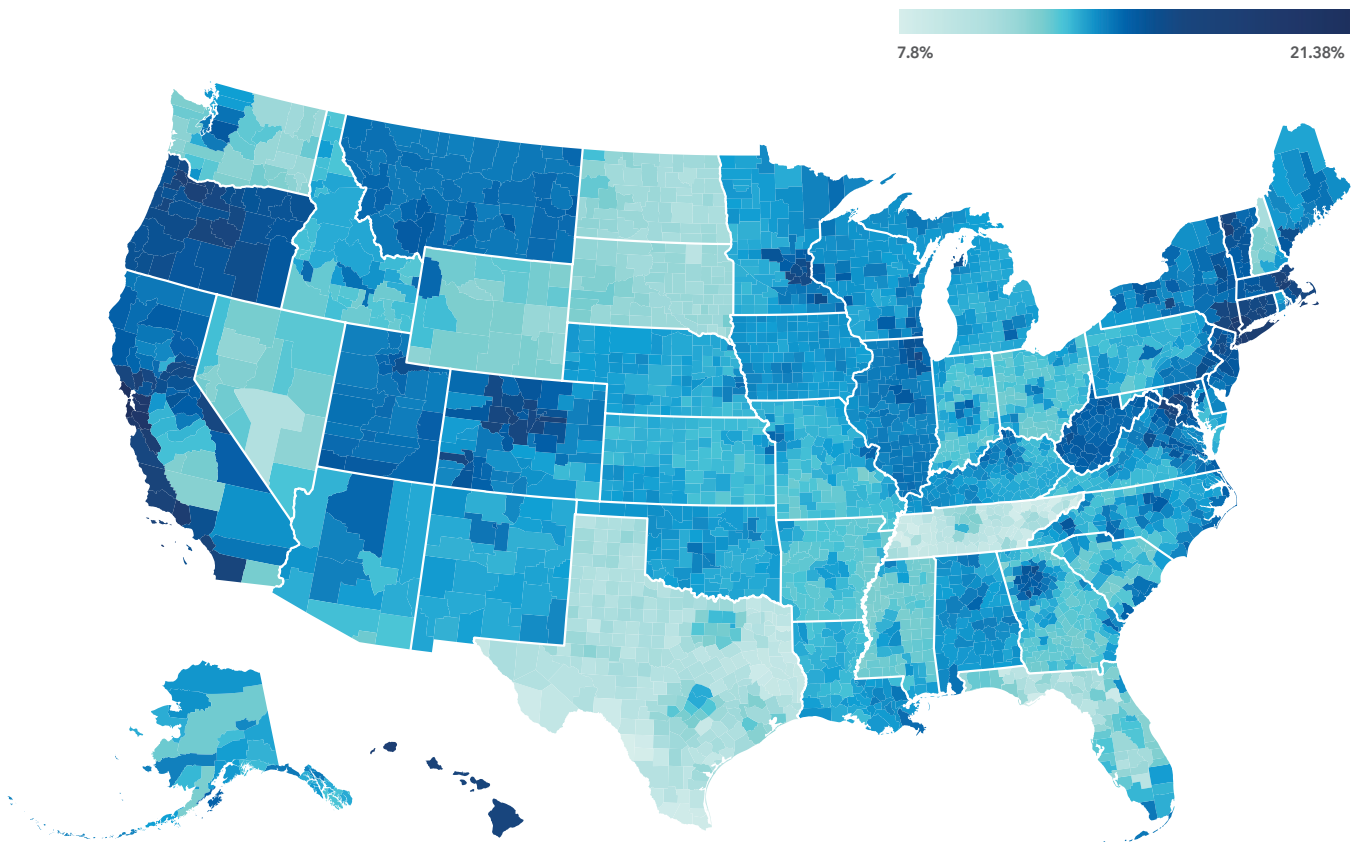
These differences reflect local economic conditions that impact income levels and eligible tax credits. A low-income county will often have a lower tax burden as families owe less income tax or receive funds due to credits, even if tax rates are the same in other counties throughout the state.

Sales and excise taxes

States have policy options to lower the tax burden on their residents. One is to eliminate or reduce individual income taxes. Another method is to eliminate or lower sales tax rates or exempt necessary items from sales tax. Alaska, Delaware, Montana, New Hampshire, and Oregon do not have sales taxes. In the other 51 states and territories, as of 2025, the sales tax ranges from 2.9% in Colorado to 7.25% in California. Alabama has the highest average local tax rate at 5.4%, while Idaho has the lowest at 0.027%. [Figure 15](#) shows comprehensive map of county-level monthly household food costs as a percentage of monthly budget.

Figure 14: Monthly Taxes as a Percentage of Average Monthly Household Costs by County, 2024

Based on a household of two adults and two children

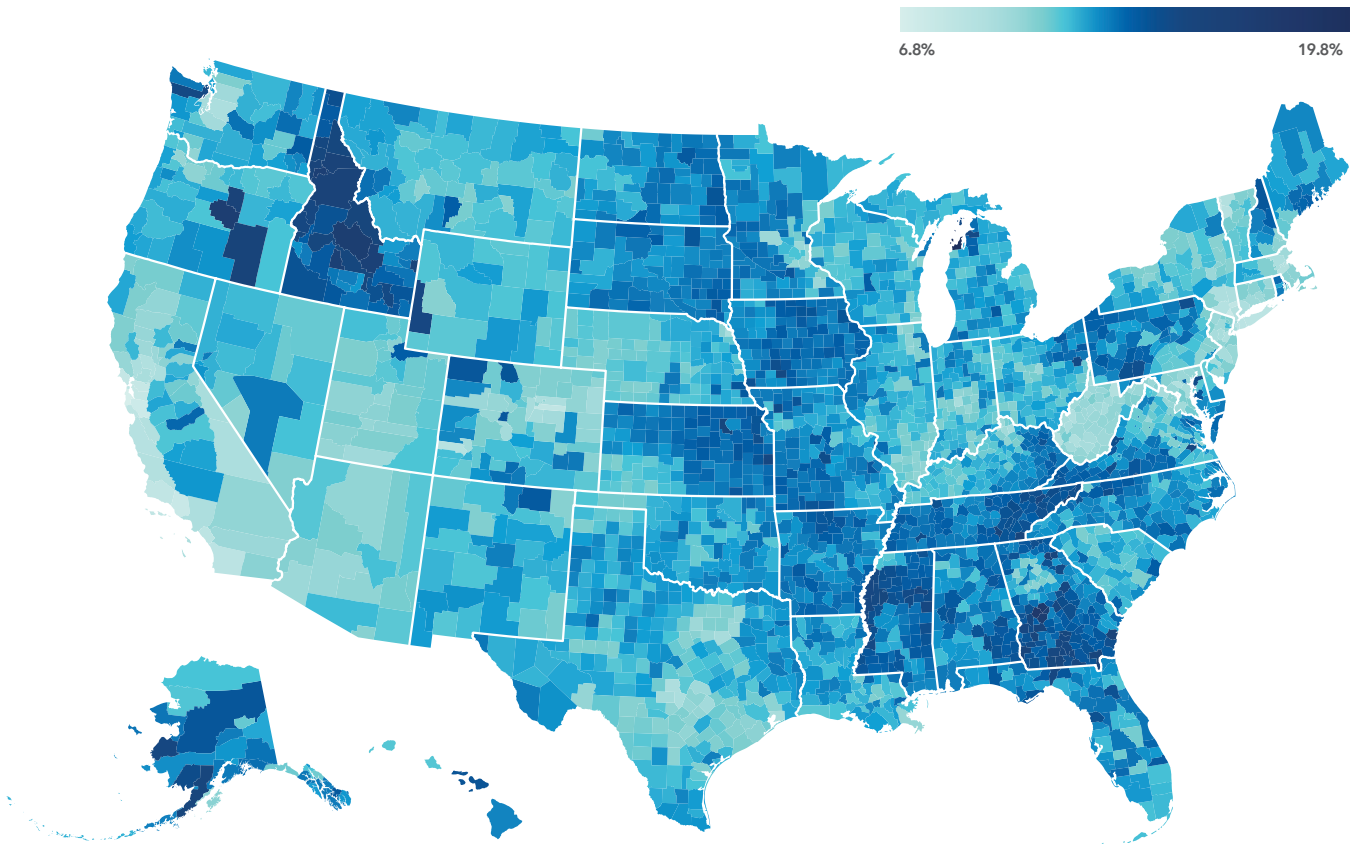


NOTE: Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands.

SOURCE: [Economic Policy Institute](#), 2025

Figure 15: Average Monthly Household Food Costs as a Percentage of Monthly Budget by County, 2024

Based on a household of two adults and two children



NOTE: Data was unavailable for American Samoa, the U.S. Virgin Islands, Guam, Puerto Rico and the Northern Mariana Islands

SOURCE: [Economic Policy Institute, 2025](#)

Items exempt from sales taxes include groceries and medicine. In recent years, many states have moved to exempt groceries from their sales tax. Arkansas [HB 1685 \(2025\)](#), Illinois [HB 3144 \(2024\)](#), Oklahoma [HB 1955 \(2023/2024\)](#), and Kansas [HB 2106 \(2022\)](#) exempted groceries from their sales and use taxes. Alabama [HB 386 \(2025\)](#) reduced the tax on groceries from 3% to 2%. Hawai'i [SB 1555 \(2023\)](#), Idaho [HB 33 \(2023\)](#), Mississippi [SB 3095 \(2025\)](#), Missouri [SB 131 \(2023\)](#), Oklahoma [HB 1955 \(2023\)](#), South Dakota [HB 1094 \(2023\)](#), Tennessee [SB 0002 \(2024/2025\)](#), and Utah [Constitutional Amendment A](#) have unsuccessfully attempted to reduce or exempt groceries from state sales taxes. A [USDA study](#) of 2019 data found that about one third of U.S. counties tax groceries, at a combined average rate of 4.3%. Also, Illinois is the [only state to charge sales tax on prescription drugs](#) at 1%, while 14 states and the District of

Columbia [do not levy sales tax on non-prescription drugs](#).

The data reveals tax policy realities for individuals: states and counties that levy sales taxes on groceries must spend a larger proportion of their monthly budget on groceries to maintain a minimum standard of living. Idaho and Mississippi have many counties that levy large taxes on food at their full [sales tax rates](#) of 6% and 7%, respectively. While Idaho offers a [refundable grocery sales tax credit](#) of \$120 for most residents, this may not cover the full amount residents spend. While some residents may spend more in sales tax on groceries each year, other residents may not file taxes as they make less money than is required. Higher food costs mean fewer dollars families can spend on other items, increasing the cost of living and individuals' tax burdens.

Federal Tax Incentives, Cuts, and Credits

The 2017 [TCJA](#) enacted major reforms to the federal tax code and was scheduled to expire at the end of 2025. However, with the passing of the [One Big Beautiful Bill \(OB BB\)](#), the majority of TCJA provisions were extended or made permanent.

This is relevant for states that automatically link their tax codes to federal law, known as rolling conformity. The effects of extending TCJA provisions through the One Big Beautiful Bill will have long-term direct effects on state tax bases and revenues. When the TCJA was implemented, states with rolling conformity had to [decide](#) between adopting TCJA tax changes or decoupling from specific TCJA provisions. As of March 2024, 23 states and the District of Columbia [operate on a rolling conformity](#). Thirty-one states and the District of Columbia use AGI as their [starting point](#).

In addition, there are 19 states that do not automatically link their tax codes to the federal tax code, known as static conformity. With the extension of the TCJA, these states will see a degree of continuity regarding the

federal tax burdens their residents face. Regardless of whether states have rolling conformity, static conformity, or another type of conformity with the Internal Revenue Code (IRC), states will continue to operate in a tax policy environment defined by continued TCJA provisions under the One Big Beautiful Bill.

Individual Provisions

Under the TJCA, seven tax brackets were lowered, resulting in tax cuts for most individuals. With the passing of the One Big Beautiful Bill, these brackets have been preserved. Also, under the TCJA, the state and local taxes (SALT) deduction was capped at \$10,000 (previously, there was [no cap](#)), and foreign real property taxes were not deductible. The One Big Beautiful Bill has temporarily raised this cap to \$40,000 for tax year 2025 and increases this cap by 1% through 2029. For states with a pass-through exemption bypassing the SALT cap, they will be impacted by the continuation of the SALT provision.



United States Capitol building, Washington, DC.

Furthermore, in the TCJA, mortgage interest deductions were capped from the first \$1 million of combined acquisition debt along with interest on \$100,000 of home equity debt to interest paid on the first \$750,000 of mortgage debt for loans implemented after Dec. 15, 2017. The One Big Beautiful Bill made this provision permanent.

In addition, prior to the TCJA, the CTC and ACTC provided a maximum of \$1,000 per qualifying child. In the pre-TCJA era, filers could receive the full \$1,000 of credit under the ACTC which were limited to 15% of earnings exceeding \$3000. The TCJA doubled the maximum CTC to \$2,000 and increased the ACTC to \$1,700 in 2024 (adjusted for inflation). The One Big Beautiful Bill made the CTC permanent and raised the maximum for the CTC from \$2,000 to \$2,200.

The TCJA reduced the reach of the Alternative Minimum Tax (AMT) by raising the exemption amount and increasing income phase-out levels. It also narrowed the gap between regular tax liability and AMT liability by limiting and eliminating preference items such as personal exemptions and SALT deductions. As a result, while 3.1% of households were on the AMT in 2017, this figure declined to 0.1% by 2022. The One Big Beautiful Bill not only made the AMT provisions permanent but also brought the phaseout thresholds for AMT exemptions to \$500,000 for individual filers and \$1 million for joint filers.

Business Provisions

Several business provisions under the TCJA impact states and territories, especially those whose corporate tax codes conform to federal rules. While the corporate tax rate reduction from 35% to 21% under the TCJA was made permanent and did not require state action prior to the One Big Beautiful Bill, there were other temporary provisions that were made permanent by the One Big Beautiful Bill. Notably, the 100% bonus depreciation, which allows entities to deduct 100% of the value of an asset, began to phase out in 2023 with annual 20% reductions and these phase outs were expected to end in 2026. The One Big Beautiful Bill made this provision permanent.

The TCJA also introduced the Qualified Business Income (QBI) deduction, known as the pass-through deduction, which allows individuals who own pass-through businesses to deduct the smaller of 20% of

qualified pass-through business income or 20% of taxable income, subject to income limits. Pass-through entities (e.g., partnerships, LLCs, S-corporations, and sole proprietorships) do not pay income tax at the entity level, but instead 'pass through' the income from the entity directly to the owners. Then the owners pay personal income tax on their share of the business income. Prior to the TCJA, pass-through income was taxed at these taxpayer's ordinary income tax rates. The QBI allows taxpayers to reduce their taxable income and thereby their tax liabilities. The One Big Beautiful Bill has made this pass-through deduction permanent as well.

Implications for States

State policymakers responded to TCJA implementation and are now responding to the extension of TCJA provisions under the One Big Beautiful Bill. This is especially relevant for states with a rolling conformity, as these states will not witness significant tax base shifts with the continuation of TCJA provisions. As of 2024, 36 states enacted a pass-through entity (PTE) tax in response to the TCJA SALT deduction limitation. This PTE tax provides a workaround that allows PTEs to pay for and deduct SALT before the individual PTE owners receive the income. The One Big Beautiful Bill preserves federal deductibility of the PTE Tax.

In addition, with the temporary extension of the SALT cap, states will no longer have to worry about the fiscal implications that would have accompanied the expiration of the SALT cap. Officials in high-tax states, who have argued that the SALT cap increased the tax burden in their states, will likely continue to express concern that top earners may relocate to low-tax states and claim that an extended SALT cap will contribute to further revenue losses. For example, in 2019, Gov. Andrew Cuomo argued that the SALT cap led to a \$2.3 billion budget deficit. Prior to the SALT cap, 91% of SALT deduction benefits were concentrated in six high-tax states: California, New York, New Jersey, Illinois, Texas, and Pennsylvania. If the TCJA had expired, high-earning residents in high-tax states would have had a reduced tax burden. Approximately 75% of these benefits would have accrued to the top 20% of earners. In other words, the distribution is reflective of the reality that high earners are more likely to not only itemize SALT deductions but also claim larger SALT deductions.

Taxation of Tips and Overtime Wages

Federal Level Overview

In 2025, at least five federal legislative bills, including the One Big Beautiful Bill, have been introduced in Congress that aim to eliminate or reduce the taxes paid by individuals on income from tips or overtime wages. These proposals follow the campaign promises of President Trump and have bipartisan support from lawmakers in states with large hospitality sectors. Figure 18 shows state bills as of July 31, 2025.

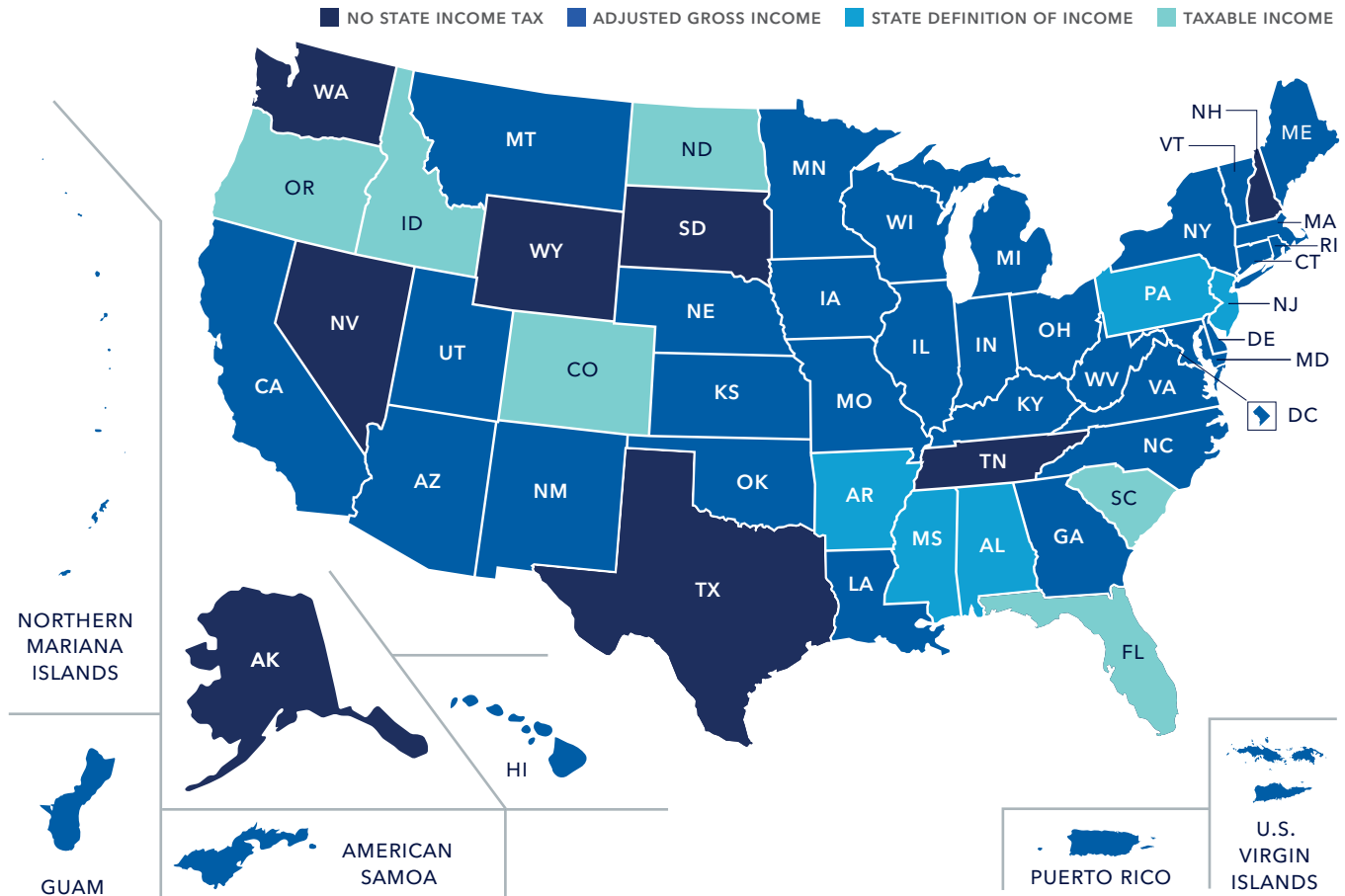
The No Tax on Tips Act ([S 129](#) and [HR 482](#)) has bipartisan support from states that have a prominent hospitality industry. [Estimates](#) for ending taxes on tips show a revenue reduction of between \$150 billion to \$250 billion over the course of 10 years. Similarly, it is [estimated](#) that ending the tax on overtime wages would result in a loss of revenue of between \$270 billion and \$1.5 trillion over 10 years. The fiscal impact of this legislation remains debated and will influence its viability.

Table 3: Federal Legislation to Exempt Tips or Overtime Wages from Taxes

State Sponsor	Bill	Description	State Sponsors and/or Co-Sponsors
Florida	HR 482: No Tax on Tips (S 129)	This bill establishes a new tax deduction of up to \$25,000 for tips, subject to limitations, and specifies that an employee with compensation exceeding a specified threshold (\$160,000 in 2025 and adjusted annually for inflation) in the prior tax year may not claim the new tax deduction for tips.	Florida, Wisconsin, Nevada, South Carolina, Minnesota, New York, Missouri, Arizona, Pennsylvania, Ohio, Texas, Georgia, Iowa
Idaho	HR 405: Keep Every Extra Penny Act of 2025	This bill excludes from gross income for federal income tax purposes overtime compensation paid for hours worked in excess of 40 hours per week.	Ohio
Nebraska	HR 558: Tip Tax Termination Act	This bill excludes from gross income for federal tax purposes up to \$20,000 of eligible tips received during the tax year, and defines eligible tips as amounts received while performing services in a position that generally relies on tips as part of wages, including cosmetology, hospitality, and food service.	
Nebraska	HR 561: Overtime Pay Tax Relief	This bill allows a tax deduction for overtime compensation received by an individual. The amount of the deduction may not exceed 20% of the individual's regular wages from the same employer and the deduction is not allowed for an individual with adjusted gross income exceeding \$100,000 (or \$150,000 for a head of the household and \$200,000 for a married couple filing a joint return).	
Missouri	S 1046: No Tax on Overtime Act	This bill redefines gross income to exclude overtime compensation.	
Texas	S 129: No Tax on Tips (HR 482)	This bill establishes a new tax deduction of up to \$25,000 for tips, subject to limitations, and specifies that an employee with compensation exceeding a specified threshold (\$160,000 in 2025 and adjusted annually for inflation) in the prior tax year may not claim the new tax deduction for tips.	Montana, Nevada, Nebraska, Missouri, Florida, North Dakota, Kansas
Texas	HR 1: One Big Beautiful Bill Act	This bill enables employees and self-employed individuals to deduct tips received in occupations listed by the IRS as customarily and regularly receiving tips, effective for 2025 through 2028.	

SOURCES: [Quorum, 2025](#); [Congress.gov, 2025](#).

Figure 17: Definition of Individual Income for Tax Purposes, by State



NOTE: The latest consolidated dataset on this topic is from 2023. **SOURCE:** [Federation of Tax Administrators](#), 2023

Implications of Federal Mandates at the State Level

With a federal exemption of tips and overtime wages from federal income taxes implemented through [One Big Beautiful Bill](#), the impact on states will differ based on how states conform to federal tax definitions of income.

As Congress has enacted changes to taxes on tips and overtime wages through the One Big Beautiful Bill, states with a rolling conformity will automatically adopt these tax exclusions for the purposes of calculating the income taxes for residents of their state. If a rolling-conformity state does not want to implement these exclusions, they would have to decouple from the federal provision by passing their own law to keep taxing tips and/or overtime wages. On the other hand, states with static conformity would not automatically

implement any tax exemptions for tips or overtime wages from the One Big Beautiful Bill.

States with selective conformity incorporate certain IRC provisions but also omit many provisions of the IRC and use their own definition of income as their starting point. This will determine how the One Big Beautiful Bill affects taxes on tips and overtime wages in these states.

States also use different definitions of income as their starting point for income tax calculations. Thirty-one states use the federal definition of adjusted gross income (AGI) as their starting point, which is an individual's gross income minus certain adjustments. Five states use the federal definition of taxable income as their starting point, which is the AGI minus a filer standard or itemized deduction. Five states employ their own definition of income.

The differences in how states will employ federal exemptions to tips and overtime wages from the One Big Beautiful Bill shows that changes to the federal policy will not uniformly impact all states. In states with a rolling conformity, workers earning tips or overtime wages will automatically see an increase in their take home pay at both the state and federal level. [Other states](#) with large proportions of workers earning tips or overtime and static conformity, such as Hawai'i, Indiana, Kentucky, Ohio, and Wisconsin, may need to quickly decide whether to adopt changes to the IRC and exempt tips and overtime wages from taxable income. These states will face pressure from residents to conform to the updated IRC while balancing budget considerations and policy priorities. States with large proportions of workers earning tips or overtime and

no conformity, such as Alabama and Mississippi, may also face pressure to exclude tips and overtime from state taxes.

State Actions

At the state level, state legislatures have been discussing how to approach the taxation of tips and overtime wages. In 2025, at least 21 states have introduced one or more bills related to the exemption of tips or overtime wages from state income taxes. Across these states, exempting tips and overtime wages from income had a lot of activity. To date, only Illinois has enacted legislation on this matter, through the adoption of [HJR 40 \(2025\)](#) which charges a Task Force with examining the feasibility of eliminating state taxes on tipped wages.

Table 4: State Tip and Overtime Wage Tax Exemption Legislation, 2025

State	Bill	Status	Description
Alabama	HB 467	Failed	Removes the sunset provision that exempts overtime compensation from income tax, which is set to expire on June 30, 2025.
Arizona	HB 2081	Failed	The primary provision introduced by this legislation is the allowance for a subtraction from Arizona gross income for compensation received as tips.
California	SB 17	Pending	Creates a deduction for qualified tips up to \$20,000 from gross income for certain taxpayers.
Connecticut	HB 5975	Failed	Creates a tax deduction for tips or gratuities declared by taxpayers.
Connecticut	HB 5728	Failed	Creates a personal income tax deduction specifically for tips or gratuities declared by taxpayers.
Georgia	SB 2	Failed	Exempts tips from state income taxation, provided that these tips are already included in the taxpayer's federal adjusted gross income.
Hawai'i	HB 282	Failed	Creates a tax deduction for tips received by tipped employees.
Hawai'i	HB 520	Failed	Excludes tips from being considered as part of gross income, adjusted gross income, and taxable income for state income tax purposes.
Hawai'i	HB 575	Failed	Creates a tax deduction for tips received by tipped employees.
Kansas	SB 277	Failed	Exempts up to \$25,000 of qualified tips from Kansas state income tax for individuals in certain occupations.
Kentucky	HB 26	Failed	Exclude tips and overtime compensation from taxable income for individuals.
Maryland	HB 1400	Failed	Exempts tips from state income tax for food service and hospitality workers.
Maryland	HB 1005	Failed	Allows individuals to subtract tips or gratuities from their federal adjusted gross income for state tax purposes.
Massachusetts	H 3172	Pending	Provides a tax benefit to individuals earning tipped wages by reducing their taxable income by the amount of tips received.
Massachusetts	H 3251	Pending	Would exclude the net amount of Part B adjusted gross income received as tips by employees from being considered taxable income.
Missouri	HB 198	Failed	Exempt tips for tipped employees from state tax.
Nebraska	LB 28	Failed	Allows individuals to exclude tip income from state income tax calculations.
Nebraska	LB 30	Failed	Allows individuals to subtract overtime compensation from their federal adjusted gross income for state tax purposes.
New Jersey	S 3741	Pending	Excludes tips from New Jersey's gross income tax by redefining them as gifts.
New York	S 587	Pending	Allows a deduction for cash tips received as wages.

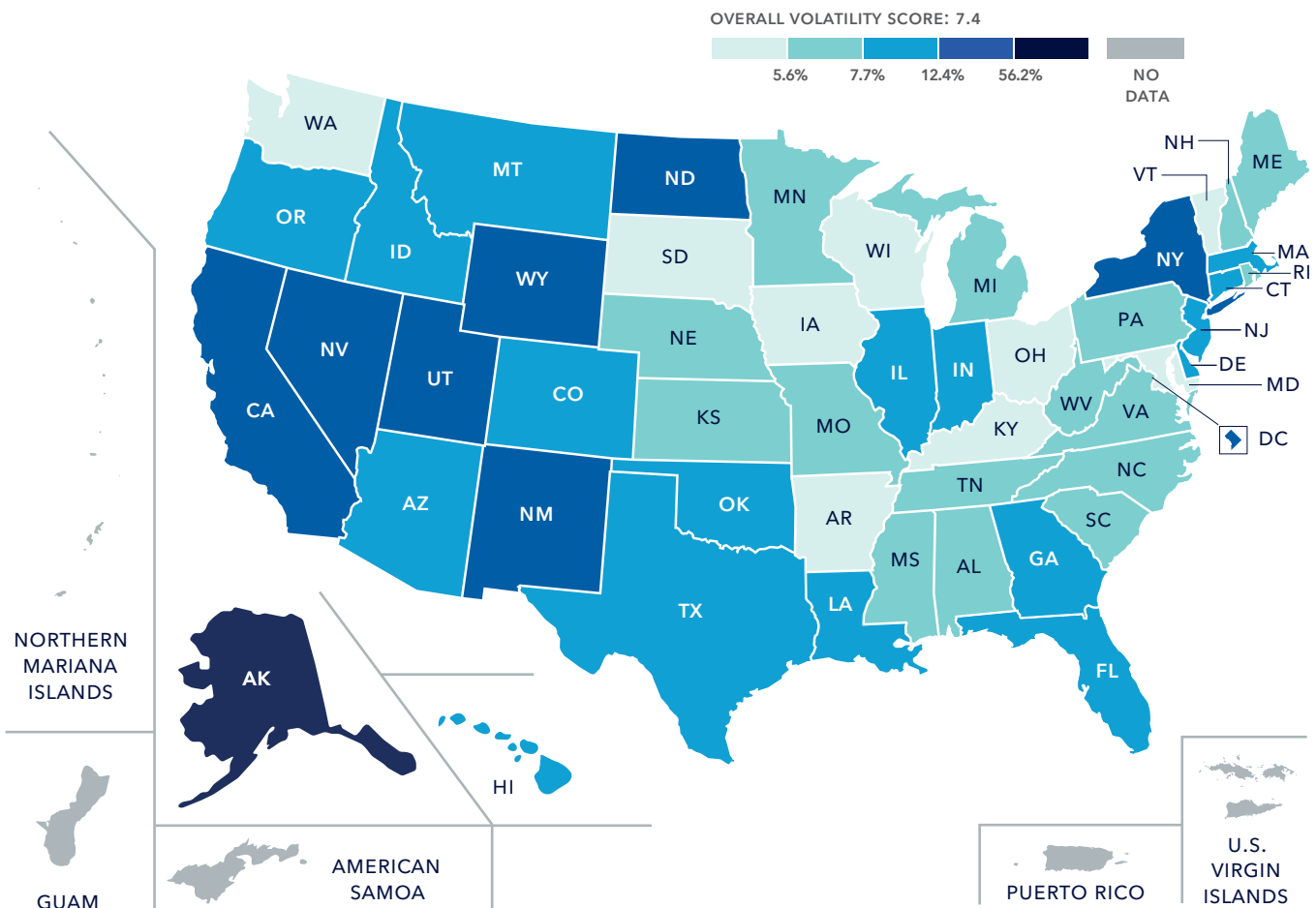
How Revenue Volatility Affects Fiscal Stability: Implications for State Policymakers

Long-term budgetary and fiscal stability is important for state and territory governments. Revenue volatility not only complicates budgeting processes but also affects the day-to-day experiences of Americans. For example, decreases in tax revenue can delay road repairs, reduce funding for education, and limit access to public health programs.

By identifying which taxes are sources of revenue uncertainty, state and territory policymakers can more effectively determine the tax policy reforms needed to ensure predictable revenue streams. This is important for states and territories as they seek to maintain sufficient reserves to weather economic cycles, provide consistent public services, and give residents and businesses greater confidence in long-term planning.

Figure 18: Overall Tax Revenue Volatility by State and Territory, FY 2019-2023

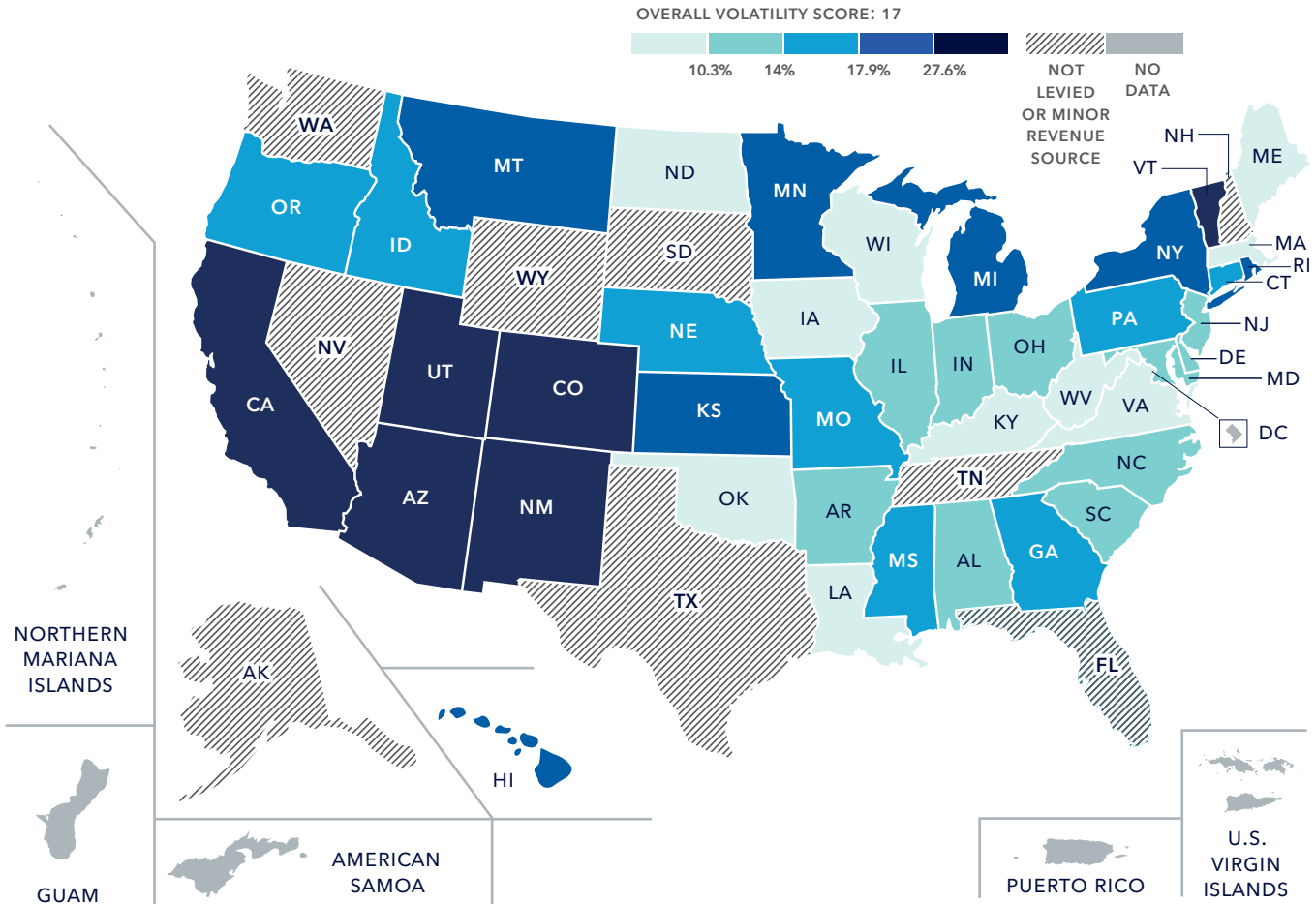
Figure 18 shows long-term revenue volatility, based on 15 years of tax collection data through fiscal year 2023. Volatility scores are adjusted to account for changes in tax policy over time.



NOTE: Data was unavailable for the District of Columbia, American Samoa, the U.S. Virgin Island, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCE:** Pew Charitable Trusts.

Figure 19: Individual Income Tax Revenue Volatility, FY 2019-2023

Figure 19 shows long-term revenue volatility, based on 5-years of tax collection data through fiscal year 2023. Volatility scores are adjusted to account for changes in tax policy over time.



NOTE: Data was unavailable for the District of Columbia, American Samoa, the U.S. Virgin Island, Guam Puerto Rico and the Northern Mariana Islands. **SOURCE:** Pew Charitable Trusts.

Measuring Volatility in State Tax Systems

To support these evaluations, Pew’s [tax revenue volatility indicator](#) measures how much state revenue growth shifts from year to year. States can use these scores to assess budget risk and plan more effectively for economic downturns. The data reveals that in recent years, volatility has become more pronounced. The 5-year volatility score across states rose to 10.3, representing a 40% increase from the 15-year score of 7.4. This increase signals growing unpredictability in state revenue streams that requires proactive management approaches.

The period from FY 2020 through FY 2023 highlights significant revenue volatility across states. After an initial decline of 4.3% in FY 2020, state revenues increased by 23.2% in FY 2021 and 15.4% in FY 2022, before decreasing again by 4.2% in FY 2023. These fluctuations resulted primarily from temporary factors rather than lasting economic changes. Delayed federal tax deadlines pushed collections into the following fiscal year, while pandemic-era federal aid and a shift in consumer spending from services to goods boosted taxable activity. These effects were amplified by concurrent economic conditions, including high inflation, low unemployment, wage growth, and strong stock market performance in 2021, which then tapered off FY 2023.

Long-Term Patterns in Revenue Stability

Over the 15-year period, volatility was highest in states such as Alaska (56.2), North Dakota (20.3), New Mexico (19.9), and Wyoming (16.7), where tax collections are heavily influenced by severance revenue tied to oil and gas production. In contrast, Arkansas (4.0), Iowa (4.1), Maryland, and South Dakota (both 4.3) experienced far less fluctuation, supported by broader, more consistent sources such as income, sales, and property taxes.

Recent Trends and Emerging Risks

From FY 2019 to FY 2023, 44 states experienced volatility above their usual patterns. Alaska (83.7), New Mexico (27.6), and California (24.7), showed the largest short-term increases.

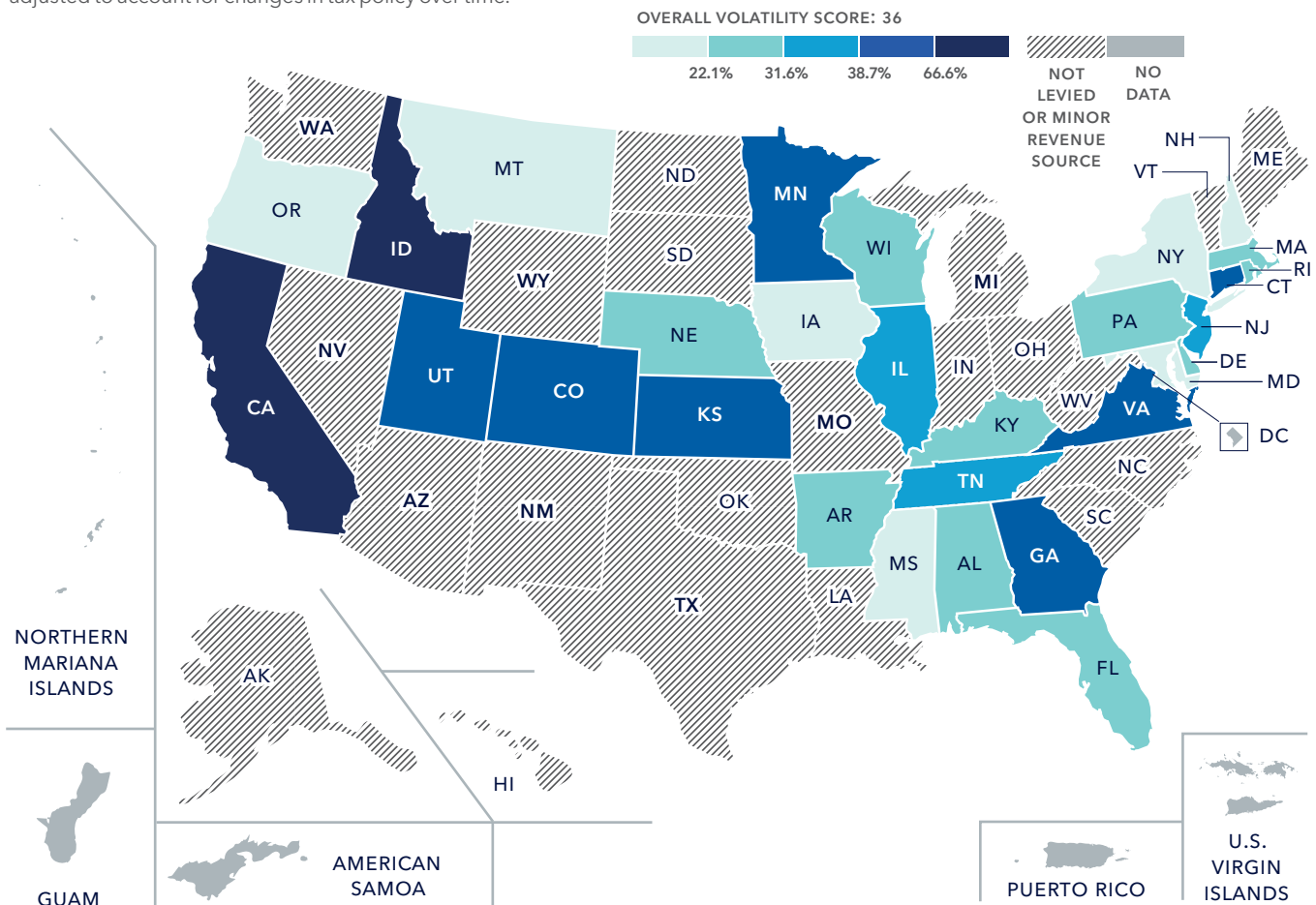
These changes were driven by sharp swings in severance and capital gains-related income taxes. By contrast, Washington (3.8), Virginia (4.5), and Kentucky (4.7), had the lowest short-term volatility due to more stable, broad-based tax structures.

Nevada's five-year volatility score rose by 70% over its 15-year trend, the steepest increase among all states. This shift was driven by sharp fluctuation in sales tax collections and a spike in amusement tax revenue, both of which significantly contributed to the state's overall tax base during this period.

Only five states, Louisiana (-3.8%), Delaware (-8.8%), Tennessee (-10.9%), Washington (-25.5%), and Virginia (-26.6%), recorded lower volatility during this period. The declining fluctuations in these states were attributed to stability in key revenue sources, including insurance premiums, general sales taxes, corporate income, and motor fuel taxes.

Figure 20: Corporate Income Tax Revenue Volatility, FY 2019-2023

Figure 20 shows corporate income revenue volatility, based on 5-years of tax collection data through fiscal year 2023. Volatility scores are adjusted to account for changes in tax policy over time.



NOTE: Data was unavailable for the District of Columbia, American Samoa, the U.S. Virgin Island, Guam, Puerto Rico and the Northern Mariana Islands. **SOURCE:** Pew Charitable Trusts.

Policy Implications and Planning Considerations

Across the country, states have been active in reforming tax policies to support their communities and overall economic growth. In 2025, these changes included adjustments to individual income taxes, corporate and business taxes, and sales taxes. Such actions are shaped by the fiscal realities governments face each year: state operations must be funded, and policymakers must weigh how best to generate revenue while meeting constituent needs. This balance is made more complex by the national and global political and economic shifts.

Research indicates that volatility in tax collections cannot be eliminated, but states have taken steps to manage its impact. By examining the components of revenue volatility, some have identified which sources are most unpredictable and used that knowledge to inform reserve policies or establish savings targets. States with economies tied to natural resources have in some cases created intergenerational savings mechanisms, such as sovereign wealth funds, to transform unstable income into a steadier source of funding. These efforts illustrate how volatility management can provide a buffer against revenue swings and sustain services during downturns.

At the same time, states continue to face uncertainty related to federal tax policy. Changes at the national level may affect how much income states collect, requiring adjustments to tax codes, savings strategies, or the use of reserves. Approaches observed in recent years include reinforcing rainy day funds, limiting ongoing spending commitments backed by volatile revenue streams, and directing one-time gains into long-term savings. Each of these strategies reflects how states are responding to their own volatility patterns to support fiscal resilience.

Broader tax policy research also highlights several themes that frequently emerge in evaluations of effective systems:

- 1. Simplicity:** Research suggests that simpler tax codes reduce compliance burdens and administrative costs. Clear rules make it easier for taxpayers to understand obligations and for agencies to enforce them, leading to a system that functions more efficiently. By lowering barriers, straightforward codes may also promote higher voluntary participation.
- 2. Transparency:** Transparent systems clearly outline what taxpayers owe and when payments are due. Studies show that when obligations are communicated openly, public trust and accountability are strengthened. In contrast, hidden or overly complex provisions obscure the true burden of taxation and make it harder for residents to engage in informed debate. Open processes for adopting changes may further increase public confidence in fiscal decisions.
- 3. Neutrality:** Tax structures that avoid favoring particular sectors or industries are often found to create fewer distortions in decisions. Research highlights that targeted credits, exemptions, or industry-specific rules generate unequal advantages and narrow the base. Broader approaches, by contrast, spread responsibility more evenly and allow states to raise revenue at lower overall rates.
- 4. Stability:** Predictable tax systems provide more reliable revenue and reduce uncertainty. Studies indicate that frequent short-term measures – such as temporary tax holidays, amnesties, or retroactive adjustments – may introduce instability that complicates long-term planning. By maintaining consistent rules, states can foster steadier economic environments and more dependable funding streams for essential services.

Taken together, these findings point to a range of considerations states may examine as they refine tax systems and seek to promote long-term fiscal stability.

One Big Beautiful Bill and State Tax Revenues

While most states are not experiencing a gap in tax collection due to the passage of the One Big Beautiful Bill, four states, including [Colorado](#), were immediately impacted due to how their state tax code is linked to the federal income tax code. These states use [rolling conformity](#) with the federal tax code, which means that they use federal taxable income to determine how much people pay in state taxes. Therefore, as seen in Colorado, the state's income tax collections were immediately reduced after the passage of the bill by [\\$1.2 billion](#) for the current fiscal year. This reduction in tax collections will contribute to a budget shortfall, thus leading to [plans for the state](#) to dip into the state's reserves, cut program spending, and pass an array of tax laws to eliminate some deductions and loopholes. Meanwhile, other states use what's known as [static conformity](#), meaning that they adapt to a federal tax code on a specific date rather than immediately, thus slowing the effect of federal tax changes on their revenue.



Colorado State Capitol building, Denver, Colorado