



INDIANA'S TAX SYSTEM

A COMPARATIVE ANALYSIS



August 2024

The Indiana Legislature is embarking on a major, two-year review of state and local tax systems with a declared goal to consider significant changes. The potential impacts—the opportunities and the risks—are huge for our state’s business and economic system, local communities and the path Indiana sets forth for the future.

Recognizing what’s at stake, the Indiana Chamber Foundation commissioned EY to conduct important research to inform advocacy for a strong, competitive and growth-oriented tax structure to drive prosperity for Hoosier businesses and citizens. This report is the first of two reports that will be issued by the Indiana Chamber Foundation analyzing Indiana’s state tax system and will complement the state’s review, providing legislators with essential data to guide their deliberations.

The Indiana Chamber Foundation is well-known for its practical public policy research and long-range economic vision planning in the state, acting as a catalyst for positive change that strengthens Indiana’s economic landscape and enhances the quality of life for all Hoosiers. Our past research work—including such policy topics as energy resources, K-12 education, venture capital, business climate competitiveness and more—has significantly impacted public policy reforms in this state.

The study explores the state’s current tax structure, investigating its fairness, competitiveness, and efficacy. The second report will identify potential areas of improvement and provide insights into alternative tax scenarios and their fiscal and economic impacts.

The analysis compares Indiana’s tax system with those in neighboring states and other key competitor states. Further, we develop a dynamic forecasting tool to predict fiscal, economic and industry cluster impacts based on different tax structures. This comprehensive approach will provide policymakers with the data and tools necessary to make informed decisions that have long-term implications for our state.

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Executive summary

The Ernst & Young LLP (EY) Quantitative Economics and Statistics practice was engaged by the Indiana Chamber Foundation (the Chamber Foundation) to evaluate Indiana’s state and local tax system and compare Indiana’s tax burdens and taxing system features to a set of benchmark states, including Florida, Georgia, Illinois, Iowa, Kentucky, Michigan, Nevada, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah and Wisconsin. This report presents the findings of the analysis.

Summary of findings

Indiana’s state and local revenue sources

The first section of the report provides an overview of Indiana’s major state and local tax revenue sources, including the base and rate of each major tax, historical and projected revenue and analyzing state and local tax revenue on a per capita basis and as a share gross domestic product (GDP) compared to national averages.

- Overall, Indiana’s main sources of state and local tax revenue are individual income tax, sales and use tax, and property taxes, which provide 31%, 27% and 23% of total tax revenue, respectively. Over 72% of state tax revenue comes from sales and use and individual income tax (IIT). Over 96% of local tax revenue comes from property taxes and local IIT.

Table ES-1. State and local tax revenue in Indiana, FY22
(\$ in billions)

Tax types	FY22	% of total FY22	FY12	Growth since FY12	Avg. annual growth rate
Individual income	\$11.7	31%	\$6.3	87%	6.4%
Sales and use	\$10.4	27%	\$6.6	57%	4.6%
Property	\$8.7	23%	\$6.5	33%	2.9%
Corporate income	\$1.5	4%	\$0.8	94%	6.8%
Other	\$6.1	16%	\$4.5	36%	3.1%
Total	\$38.4	100%	\$24.7	56%	4.5%

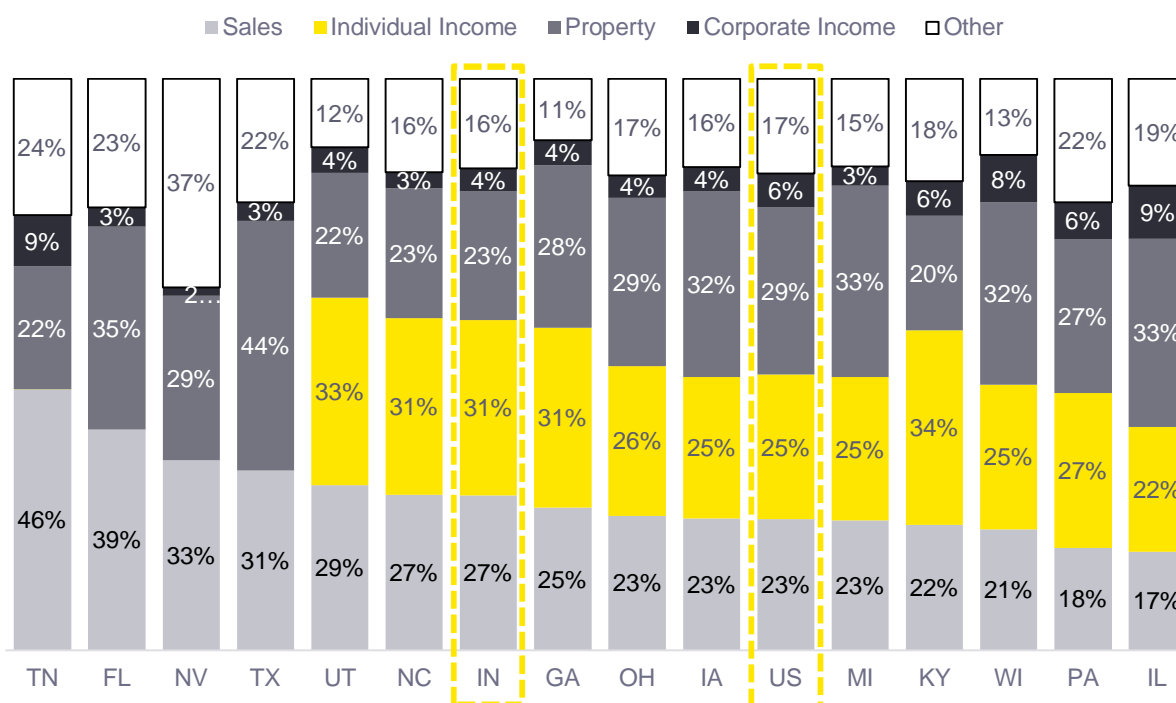
Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report.

- Indiana has consistently had a lower tax burden compared to the US average from FY12 to FY22. In FY22, Indiana’s state and local tax revenue per capita was \$5,618 compared to \$7,097 nationally.
- Individual income tax revenue in Indiana has tracked national trends from FY12-FY22, while corporate income tax collections have grown more slowly than the national average over the same period, partially due to Indiana lowering its corporate income tax rate several times since 2012. This trend is projected to continue, as forecasts from the Indiana Economic Forecast Update and EY show individual income tax revenue continuing to grow through 2028, while the corporate income tax is expected to show no significant growth.

Section 2 compares the level of tax collections for each major state and local tax in Indiana to 14 benchmark states and the US average. Comparison states include Indiana's direct neighbors and 10 states selected by the Indiana Chamber Foundation.

- Figure ES-1 shows the main sources of state and local tax revenue as a share of total collections. Overall, Indiana stands out for its relatively high share of state and local tax revenue from individual income and sales tax with a low share from corporate income and other taxes. The share from sales tax is notable because it is relatively high despite Indiana being one of three states in the analysis that does not tax sales at the local level. Indiana's share of state and local tax revenue from corporate income tax and property tax is in the middle of the benchmark states.

Figure ES-1. State and local tax revenue profile, FY22
Indiana and benchmark states



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is from the Indiana Department of Revenue Annual Report.

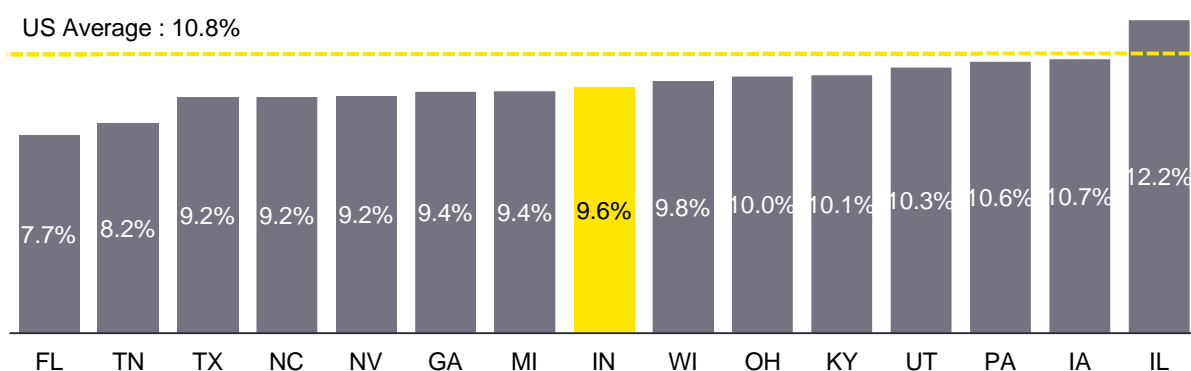
- Indiana is middle of the pack in share of state tax revenue from corporate income tax and has little state property tax. Corporate income tax accounts for 6% of Indiana's state tax revenue, which is lower than the US average of 9%, which is reflected above in the total state and local collections where corporate income tax accounts for 4% of Indiana's total collections, below the 6% US average. Additional details on Indiana's state revenue profile are shown in Figure 8.
- At the local level, Indiana has a lower reliance on property tax (68%) than the US average (72%) due to its sizable local income tax, which accounts for 28% of local revenue. Indiana's share of local tax revenue coming from the individual income tax is higher than the other five benchmark states that levy a local income tax.

- Indiana is one of seven benchmark states that have a flat individual income tax rate, and Indiana had the second lowest flat tax rate at 3.15% in 2023. Indiana’s rate decreased to 3.05% in 2024, making it the lowest of the benchmark states with a flat individual income tax structure, and the rate will continue to decrease to 2.90% by 2027. Indiana and five other benchmark states do not have a standard deduction out of 11 states that tax individual income. Indiana allows for a personal exemption, but it is small compared to the exemptions and deductions offered by benchmark states.

Indiana’s tax burdens compared to other states

Indiana’s combined state and local tax burden is 9.6% of personal income, which is lower than the 10.8% US average and is in the middle of the benchmark states, as shown in Figure ES-2 and discussed in Section 2.

Figure ES-2. Total state and local taxes as a share of personal income, FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Personal income data is from the U.S. Bureau of Economic Analysis.

- Despite having no local sales tax and taxing fewer services, Indiana’s combined state and local sales taxes are a higher share of personal income than the US average (2.6% compared to 2.5% US average). Indiana is tied with Tennessee for having the highest state sales tax rate of the benchmark states but is slightly under the peer average for state and local combined sales tax rates.

Tax burden benchmarking

Section 3 provides a detailed view of Indiana’s state and local tax burdens compared to benchmark states, including the share of each tax category paid by business.

- Businesses pay an estimated 38% of state and local taxes in Indiana, third lowest share among peer states, which range from 37% in Michigan to 60% in Texas. Table ES-2 shows the estimated business share in Indiana, the US and an average across the benchmark states. Businesses pay a higher share of property taxes in Indiana (65%) than the benchmark state average (55%).

Table ES-2. Estimated business shares of tax collections in Indiana, US and peer state average, by tax type, FY22

Tax type	Indiana	US average	Benchmark state average
Corporate income	100%	100%	100%
Property	65%	54%	55%
Excise	38%	51%	47%
Licenses	34%	62%	60%
Sales	32%	42%	42%
Other	26%	53%	45%
Individual income*	13%	14%	12%
Overall average	38%	45%	46%

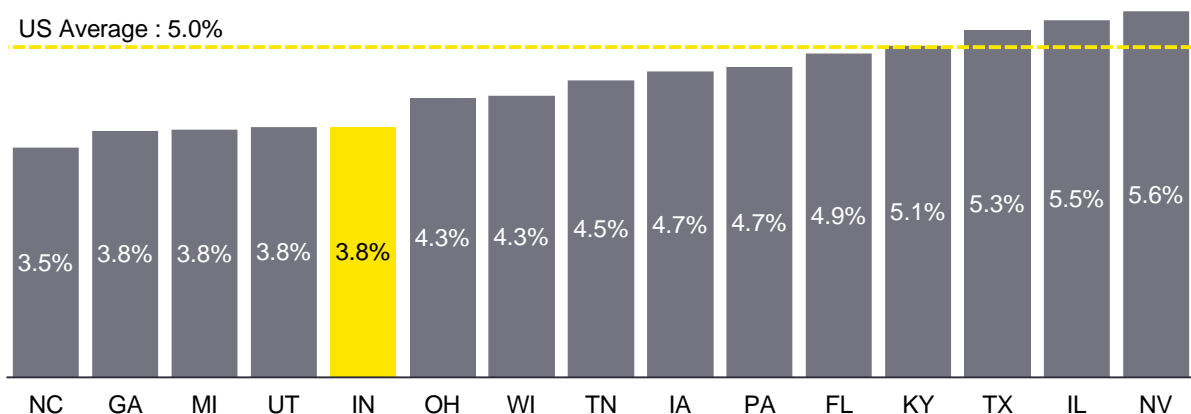
*Business share for this category is pass-through income taxes and pass-through entity tax.

Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances.

Note: Other taxes include death and gift, documentary and stock transfer, and severance taxes.

- Indiana’s total effective business tax rate (TEBTR), measured as total state and local taxes paid by business as a share of gross state product, is 3.8% — well below the US state average of 5.0% and fifth lowest compared to benchmark states, as shown in Figure ES-3.

Figure ES-3. Total effective business tax rates, TEBTR FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. See the EY and Council on State Taxation, “Total state and local business taxes: state-by-state estimates for FY22,” December 2023. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report.

Assessing Indiana’s tax competitiveness for key industries

Section 4 analyzes the competitiveness of Indiana’s tax structure for business investments by estimating effective tax rates faced by businesses choosing to locate in Indiana. The analysis constructs an operations profile for hypothetical businesses in three industries (i.e., headquarters, manufacturing and life sciences), estimates the state and local taxes paid by those business in Indiana and comparison states, then divides that amount by estimated net income for the businesses, resulting in a total business effective tax rate.

- Indiana has higher effective tax rates in capital-intensive industries such as manufacturing and life sciences due to the taxation of personal property which drives high effective property tax rates. Property and business entity taxes are the most impactful categories for manufacturing and life sciences, accounting for over 70% of business taxes paid by the hypothetical manufacturing firm and 60% for the life sciences firm on average across comparison states. Indiana’s property effective tax rate is highest among peer states.
- Indiana is more competitive in the headquarters industry due to its relatively low sales and business taxes, as both its sales and business effective tax rates are below the respective benchmark averages. These taxes make up a greater portion of the tax burden in the headquarters industry compared to manufacturing and life sciences, which reduces Indiana’s total business tax ETR below the peer average.

Table ES-3: Total business effective tax rates for key industries

State	Manufacturing		Life Sciences		Headquarters	
	ETR	Rank	ETR	Rank	ETR	Rank
Indiana	6.0%	14	7.8%	14	4.1%	6
Florida	7.0%	15	9.7%	15	7.8%	14
Georgia	4.5%	7	4.9%	4	3.4%	3
Illinois	5.9%	13	5.9%	7	5.1%	11
Iowa	5.6%	11	6.8%	13	6.0%	12
Kentucky	2.9%	1	4.7%	3	3.2%	2
Michigan	5.2%	9	6.3%	9	7.6%	13
Nevada	5.6%	12	6.1%	8	3.9%	5
North Carolina	4.0%	4	5.3%	5	5.0%	9
Ohio	4.4%	6	4.6%	2	4.7%	8
Pennsylvania	4.4%	5	6.8%	12	5.1%	10
Tennessee	5.0%	8	6.5%	10	7.9%	15
Texas	5.6%	10	6.8%	11	3.5%	4
Utah	3.3%	2	4.4%	1	3.2%	1
Wisconsin	3.9%	3	5.3%	6	4.4%	7
<i>Peer average</i>	<i>4.8%</i>		<i>6.0%</i>		<i>5.1%</i>	

Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data.

State tax reform landscape

Section 5 identifies major reforms and trends in state tax systems nationally over the past decade, including effects on revenue. Key reform trends for individual income, corporate income and sales tax are summarized in Table ES-4.

- Indiana’s benchmark states have enacted a variety of individual income tax reforms over the past five years, including phased rate reductions, bracket consolidation, an expansion of the Earned Income Tax Credit (EITC) and child tax credits, and adjustment of tax brackets or personal exemption amounts for inflation.
- Apart from broad-based rate reductions, recent trends in corporate income tax reforms include a shift toward market-based sourcing, single-sales factor apportionment, mandatory combined reporting and conformity with the Tax Cuts and Jobs Act (TCJA) bonus depreciation.
- Sales and use tax reforms include base broadening across states, exemptions and reduced rates, sales tax holidays and lowering the number of transactions from economic nexus thresholds.

Table ES-4: Key major tax trends summary, by tax type

Tax reform trends	Indiana context
Individual income tax (IIT)	
IIT rate reduction or replacement	Phased-in rate reduction from 3.23% in 2022 to 2.90% by 2027.
Consolidating of tax brackets	Indiana has a flat rate.
Adjusting tax brackets for inflation	Indiana has a flat rate.
Adjusting standard deduction/personal exemption amounts	Indiana has no standard deduction and a personal exemption of \$1,000 and an additional dependent exemption of \$1,500. Recent legislation allows for an additional \$1,500 for a first-time additional dependent exemption.
EITC and child tax credit revisions	Increased EITC by 100 basis points to 10% of federal EITC.
Creating or expanding taxes on elective and pass-through entities (PTE)	Allows for an elective PTE at a 3.05% rate.
Corporate income tax (CIT)	
CIT rate reduction or replacement	Phased-in rate reductions from 2012–2021.
Enact market-based sourcing	Uses market-based sourcing.
Mandatory combined reporting	Does not require combined reporting.
Single-sales factor apportionment	Uses single-sales factor apportionment.
Conformity with TCJA bonus depreciation	Does not offer a bonus depreciation allowance to conform with TCJA.
Sales and use tax	
Broadening of sales tax to include personal services and digital products	Does not widely tax personal services and has a relatively narrow base of digital products.
Reduction in sales tax on groceries, personal hygiene and medical products	Exempts groceries, but some personal hygiene products including menstrual products are taxable.
Sales tax holidays	Did not offer a sales tax holiday in 2023.
Eliminating the number of transactions from economic nexus thresholds	Has a threshold of \$100,000.
Sales and use tax exemptions for data centers	Provides data center gross retail and uses tax exemption.

1.0 Indiana's state and local tax revenue sources

This section describes Indiana's major sources of tax revenue at the state and local levels and summarizes the amount collected. It then discusses historical trends and projections for the major revenue sources, examining trends over time in total revenue, revenue as a share of GDP and revenue per capita.

1.1 State tax categories in Indiana

Indiana's main sources of revenue for the General Fund are the sales and use tax, the individual income tax and the corporate income tax. These three taxes made up 91.5% of the General Fund revenue in FY23. Indiana also levies several other taxes, including wagering taxes, cigarette and alcohol excise taxes, vehicle registration fees and several other taxes. Indiana state taxes and their associated base and rates are described below and shown in Table 1.

- **Sales and use tax:** The sales and use tax base includes purchases or rentals of tangible personal property, accommodations, public utility services and other services. The tax is imposed on retail transactions at a rate of 7% and generates 49.7% of General Fund revenue, with revenue growth of 4.7% from FY22 to FY23. The tax is distributed to the state General Fund, as well as the industrial and commuter rail service funds. The state has had a 7% sales and use tax rate since 2008.
- **Individual income tax:** Indiana levies an individual income tax based on federal adjusted gross income (AGI) at a flat rate of 3.15% in 2023, with a personal exemption of \$1,000 that applies to an individual taxpayer, a spouse and dependents. There is an additional dependent exemption of \$1,500 when certain criteria are met. Individual income tax generates 36.0% of General Fund revenue, with revenue declining 7.4% from FY22 to FY23.
- In 2015, the individual income rate was 3.3%, which was reduced to 3.23% in 2017. In 2022, Indiana began a phased reduction of the individual income tax rate with HB 1002 and increased the speed of the reduction in 2023 with HB 1001. The rate in 2024 will be 3.05% and will reduce by 0.05% each year until it is 2.90% in 2027.¹
- **Corporate income taxes:** Indiana imposes a 4.9% flat rate tax on each corporation's adjusted gross income. This tax constitutes 5.8% of General Fund revenue, and revenue fell 20.1% from FY22 to FY23. The corporate income tax rate was 8% in 2012 and was reduced by 0.5% a year until the rate hit 6.5% in 2015. The rate was then reduced by 0.25% each year until it reached 5.25% in 2020. The current 4.9% rate began in tax year 2021.

Other taxes include the following:

- **Riverboat wagering:** This tax is levied against the adjusted gross receipts (AGRs) of riverboat gaming establishments, at 22.5% of AGRs for dockside gaming boats and a graduated 15% to 40% rate for flexible schedule riverboats dependent on the amount of AGRs. There is also a supplemental wagering tax, where the rate is determined by dividing the riverboat's 2017 admissions tax by its 2017 AGI, with a maximum rate of 3.5%.

¹ Details on Indiana's individual income tax rate reduction from taxnews.ey.com. <https://taxnews.ey.com/news/2023-0981-indiana-law-lowers-personal-income-tax-rates-gradually-starting-in-2024-exemption-for-dependent-children-is-modified-retroactive-to-january-1-2023>.

- **Racino wagering:** The racino wagering tax is levied against racetrack owners that conduct slot machine gaming at the racetrack. The tax base is 88% of AGI at a rate between 25% and 35%.
- **Cigarettes:** The cigarette tax is imposed on the sale of cigarettes at \$0.995 for a pack of 20 cigarettes or \$1.24375 for a pack of 25. The tax revenue is distributed between the state General Fund and several health-related special funds.
- **Insurance:** Insurance companies are taxed on their annual gross premiums at a rate of 1.3%.
- **Inheritance:** Indiana repealed the inheritance tax in 2013, though some pre-2013 estates have continued to file new or amended returns. After 2023, no inheritance tax returns will need to be filed, and the Indiana Department of Revenue will not seek recovery of prior inheritance tax matters.²
- **Alcoholic beverages:** The alcoholic beverage excise tax is levied on all alcoholic beverages at a per-gallon rate dependent on the type of beverage and percentage of alcohol content with rates between \$0.115 and \$0.47 per gallon. Revenue is divided equally with 50% of the tax revenue deposited in the state General Fund and other state funds and 50% distributed to cities and towns.
- **Interest:** Interest accrues on liabilities overdue to be paid (delinquent payments) to the Indiana Department of Revenue at a rate based on the average state money investment year of the previous fiscal year. The interest rate on delinquent payments for calendar year 2024 is 4%.³
- **Motor and commercial vehicle excise tax:** This tax is collected when a vehicle is registered and is based on the class and type of vehicle that is being registered. The tax is allocated to the taxing district where the registrant lives.
- **Gasoline use tax:** The gasoline use tax is a 7% flat rate tax on gasoline taken at the time of delivery. The tax is distributed between the state General Fund and several transportation-related special funds.
- **Miscellaneous revenue:** Miscellaneous revenue covers other taxes such as the aircraft excise tax, controlled substance excise tax and fireworks tax. Rates vary by tax.

Other fund collections: Other fund collections include the tax revenue that is not allocated to the General Fund. It is a mix of many of the taxes listed above such as cigarette tax going to special health funds and gas use tax being allocated to transportation special funds. Of the three major state tax types, only sales and use tax adds to other fund collections, with about 1% of total sales and use tax collections.

² Information on the Indiana Inheritance Tax is from in.gov: www.in.gov/dor/tax-forms/inheritance-tax-forms/inheritance-tax-information/.

³ Details on delinquent payment interest rates is from in.gov: www.in.gov/dor/files/dn03.pdf.

Table 1. Indiana Department of Revenue state tax collections, FY23
(\$ in millions)

Tax category	FY22	FY23	FY23% of General Fund collections	YoY growth
Sales and use	\$9,991	\$10,465	49.7%	4.7%
Individual income	\$8,181	\$7,576	36.0%	-7.4%
Corporate income	\$1,540	\$1,231	5.8%	-20.1%
Riverboat wagering	\$319	\$360	1.7%	12.9%
Interest	\$34	\$287	1.4%	747.2%
Motor vehicle excise	\$289	\$284	1.3%	-1.5%
Insurance	\$252	\$262	1.2%	3.9%
Cigarette	\$221	\$217	1.0%	-1.8%
Miscellaneous revenue	\$202	\$213	1.0%	5.6%
Racino wagering	\$141	\$140	0.7%	-0.9%
Alcoholic beverages	\$21	\$23	0.1%	9.5%
Inheritance	\$0	\$0	0.0%	0.0%
Total General Fund collections	\$21,191	\$21,058	100.0%	-0.6%
Other fund collections	\$2,478	\$2,321		-6.4%
Total DOR collections*	\$23,669	\$23,379		-1.2%

Source: Data on Indiana General Fund collections from the Indiana Department of Revenue June 2022 and June 2023 monthly revenue reports. Data on total collections from the Indiana Department of Revenue FY22 and FY23 annual reports.

*Local option income tax collections have been removed from net collections to display only state collections.

1.2 Local tax categories in Indiana

Property tax is the main source of local tax revenue, accounting for 68.0% of local collections in FY22. Indiana does not have local sales taxes, leaving local income tax as the only other major local tax tool in Indiana, making up 28.1% of local tax collections.

Local tax revenue profile:

- **Property taxes:** Property tax rates can vary significantly across a state and even within a county depending on the taxing districts. Indiana's assessment ratio, the ratio of taxable value to market value, is 100% for all property. Effective tax rates are determined by estimating the total tax paid on a property, then dividing the tax amounts by the full value of the property. Effective property tax rates for representative urban, suburban and rural locations are between 2.4% and 3.5%, shown in Table 13 in section 2.4. Indiana's property tax base consists of real and business personal property as well as mobile homes, oil and gas interests, and utility personal property.⁴

⁴ Details on Indiana's property tax from iga.in.gov. https://iga.in.gov/pdf-documents/123/2023/universal/committees/interim/state-and-local-tax-review-task-force/91f79af2-5fd4-4345-be84-a737dcdc42a4/exhibits/attachment_5659.pdf.

- **Local income tax:** The local income tax is paid together with state income tax, then distributed out to the local taxing districts. On top of the flat state tax rate, counties levy between 0.5% in Porter County to 3.0% in Randolph County, with a weighted average rate of 1.7%.⁵ Local income tax made up 28.1% of Indiana’s local collections in FY22.
- **Other taxes:** Property tax and local income tax made up 96.1% of Indiana’s local tax revenue. The remaining 3.9% is mainly made up of tax on non-employee compensation, license fees and public utilities taxes.

Table 2. Indiana local tax revenue in FY22
(*\$ in millions*)

Tax category	FY21	FY22	FY22 % of local collections	YoY growth
Property tax	\$8,228	\$8,651	68.0%	5.1%
Local income tax	\$3,047	\$3,568	28.1%	17.1%
Other taxes	\$449	\$496	3.9%	10.4%
Total	\$11,724	\$12,715	100%	8.4%

FY21 collections for property tax and other taxes are from the U.S. Census State and Local Finance Survey data. FY22 property tax collections are based on U.S. Census data and estimated using calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. FY22 collections for other taxes are based on U.S. Census data and estimated using GDP growth. Individual income tax data from the Indiana Department of Revenue Annual Report.

1.3 State and local tax trends in Indiana

Table 3 below shows total state and local tax revenue in Indiana for FY22, as well as the 10-year growth in revenue since FY12.⁶ In FY22, individual income tax provides the largest share of tax revenue in Indiana, followed by sales and use, property and corporate income taxes. Corporate income tax had the largest 10-year growth rate among the taxes, followed by individual income. Wage and salary income increased 55% during the 10-year period.⁷ The top three sources of revenue remain the same in both time periods, though historically the sales and use and property taxes were larger than individual income.

⁵ Average local income tax rate is calculated as a weighted average using 2020 Census data on population by county in Indiana.

⁶ Totals in Table 3 do not match the sum of

Table 1 and Table 2. Specifically,

Table 1 reports \$400 million less in sales and use tax and \$1.6 billion less revenue in “Other” taxes (cigarette, alcoholic beverage, other fund collections, etc.) than EY estimates using Census data. Differences may reflect slightly different time periods, data that was updated or revised between reports, or otherwise categorized differently in Department of Revenue data vs. reports to the Census of governments. For benchmarking purposes, we present U.S. Census State and Local Finance Survey data.

⁷ Indiana wage and salary income was \$124.6 billion in 2012 and \$193.8 billion in 2022, U.S. Bureau of Economic Analysis.

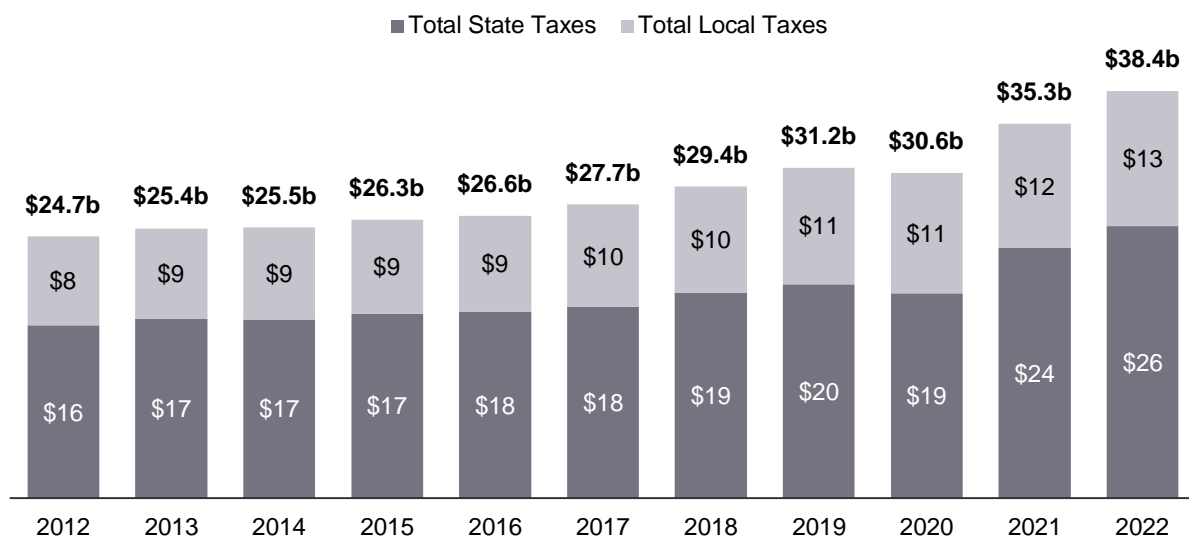
Table 3. State and local tax revenue in Indiana, FY22
 (\$ in billions)

Tax types	FY22	% of total FY22	FY12	Growth since FY12	Avg. annual growth rate
Individual income	\$11.7	31%	\$6.3	87%	6.4%
Sales and use	\$10.4	27%	\$6.6	57%	4.6%
Property	\$8.7	23%	\$6.5	33%	2.9%
Corporate income	\$1.5	4%	\$0.8	94%	6.8%
Other	\$6.1	16%	\$4.5	36%	3.1%
Total	\$38.4	100%	\$24.7	56%	4.5%

Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report.

Figure 1 shows the state and local taxes in Indiana from FY12 to FY22. Tax revenue has been continuously increasing in Indiana at both local and state levels, except for a decline in 2020 due to the onset of the COVID-19 pandemic that reduced tax collections.

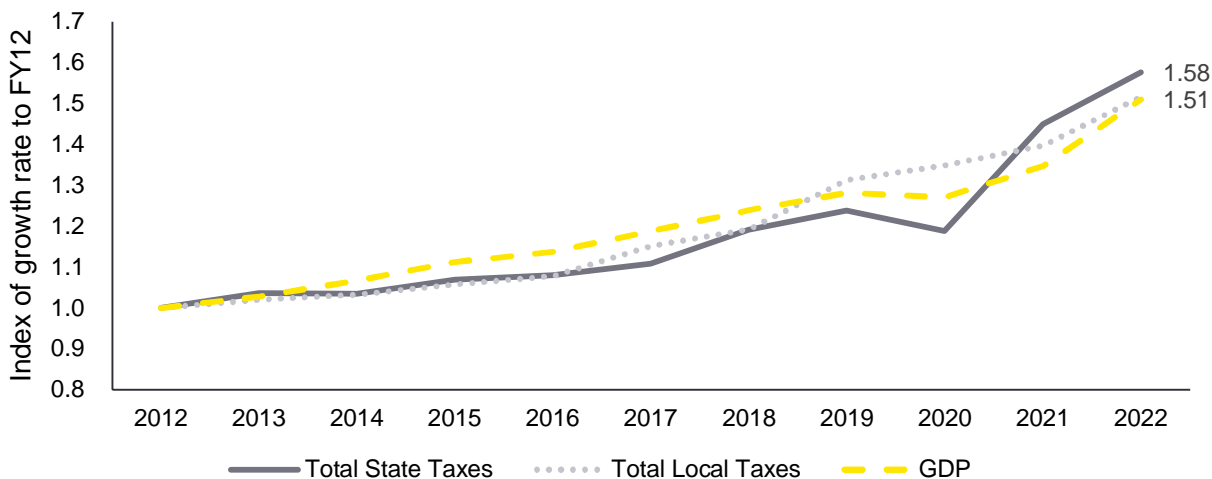
Figure 1. State and local taxes, Indiana, FY12 – FY22
 (\$ in billions)



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report.

As shown in Figure 2, from FY12 to FY19, state tax revenue lagged GDP growth, then rebounded in FY21 by enough to bring state tax revenue growth above GDP growth for the period. Part of this rebound was due to filing deadline extensions for individual and business taxes in 2020 due to the COVID-19 pandemic, which shifted revenue from FY20 to FY21. While local taxes lagged GDP from FY12 to FY19, total local tax revenue growth for the period surpassed GDP in FY19.

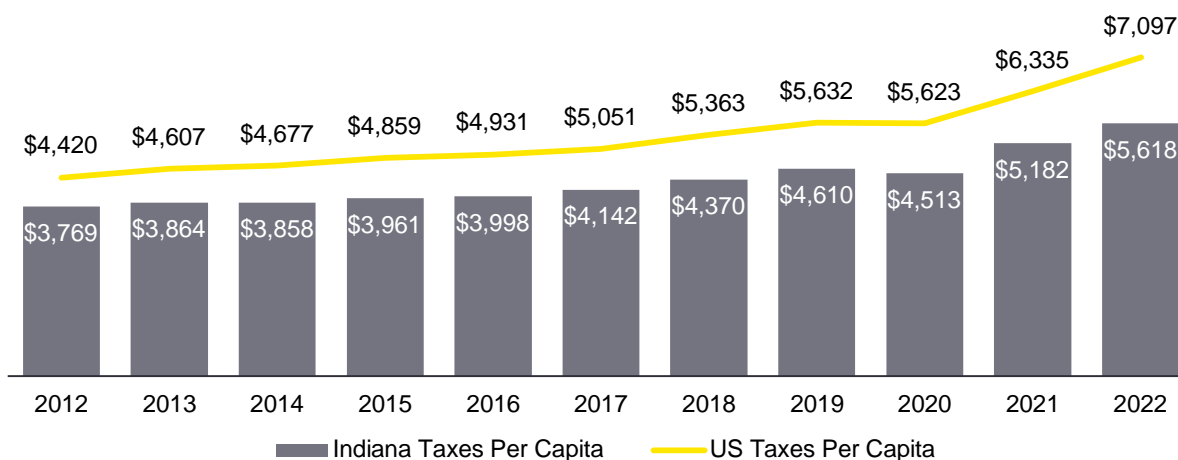
Figure 2. GDP, State taxes and local taxes, Indiana, FY12–FY22
Indexed to 2012 (FY2012 = 1)



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. GDP data is from the U.S. Bureau of Economic Analysis.
 Note: 2022 local tax revenue is an estimate.

The amount of state and local tax per capita is one way to measure tax burden. For the FY12 to FY22 period, Indiana persistently had a lower state and local tax per capita burden than the US average. Revenue per capita increased each year during this period, except FY20, when both Indiana and US state and local taxes per capita fell before increasing again in FY21 and FY22.

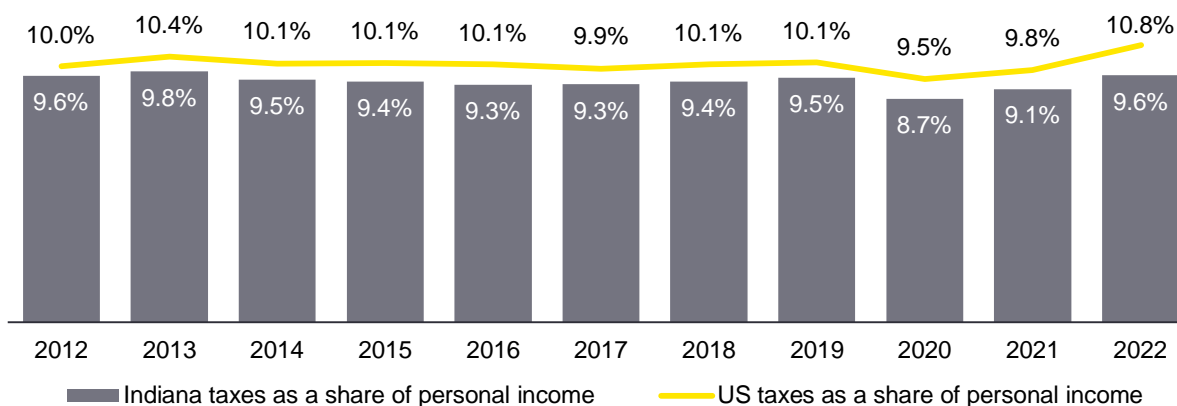
Figure 3. State and local taxes per capita, Indiana, FY12–FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Population data from the U.S. Bureau of Economic Analysis.
 Note: 2022 local tax revenue is an estimate.

The state and local tax burden, as measured by the share of total taxes relative to personal income, is also lower in Indiana than in the US overall for the entire period between FY12 and FY22. State tax collections in Indiana shrunk in FY20 in part due to the state extending the filing deadline for businesses and individuals in the spring of 2020 in response to the COVID-19 pandemic, which shifted collections from FY20 to FY21, resulting in the dip in tax as a share of personal income in FY20. Indiana’s total state tax collections in Q4 of each fiscal year have historically accounted for, on average, 29.8% of the tax collections during the fiscal year. In FY20, Indiana’s Q4 only accounted for 24.5% of that fiscal year’s collections, 5.4 percentage points lower than the historical average, as the filing deadline change shifted revenues from FY20 Q4 to FY21 Q1. Indiana also has an excess reserve limit established in 2011 that requires excess funds to be distributed to various funds, including being returned to taxpayers. In FY21, \$1.1 billion in excess reserves were split between Indiana’s retirement fund and returned to individual income taxpayers through a check and individual income tax credits. Indiana’s tax as a share of personal income returned to the normal range by FY22 as tax timing fell back in line with years prior to FY20.

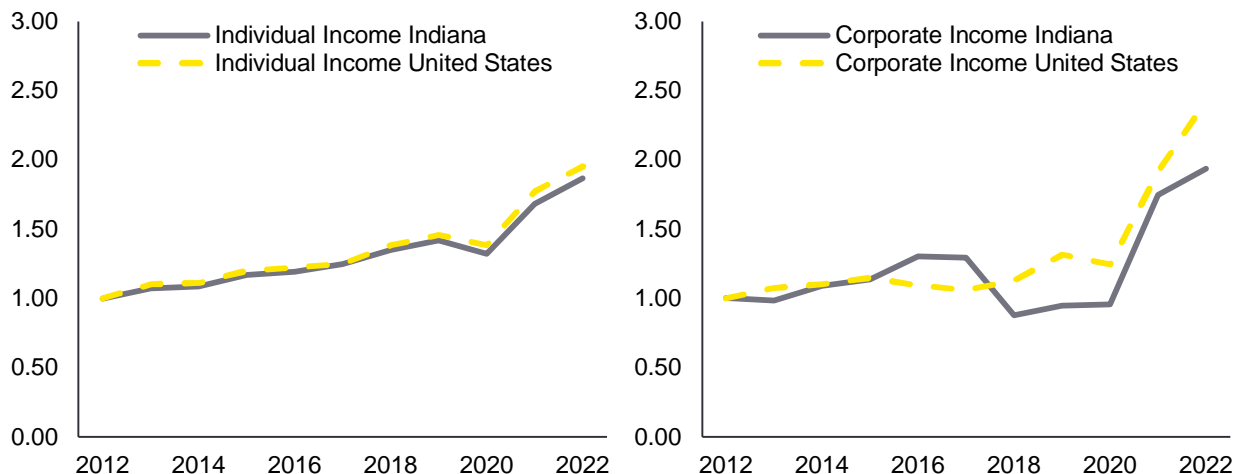
Figure 4. State and local taxes as a share of personal income, Indiana, FY12–FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Personal income data is from the U.S. Bureau of Economic Analysis.

Figure 5 illustrates the historical trajectory of individual income tax and corporate income tax between FY12 and FY22. Individual income tax revenue in Indiana has broadly followed the total for US states. By contrast, corporate income tax revenue in Indiana has diverged from the US total for state CIT revenue. Contributing to this is a major state-level reform in Indiana, where the corporate income tax rate has been decreasing since 2012 from 8.5% to 4.9% in 2023.

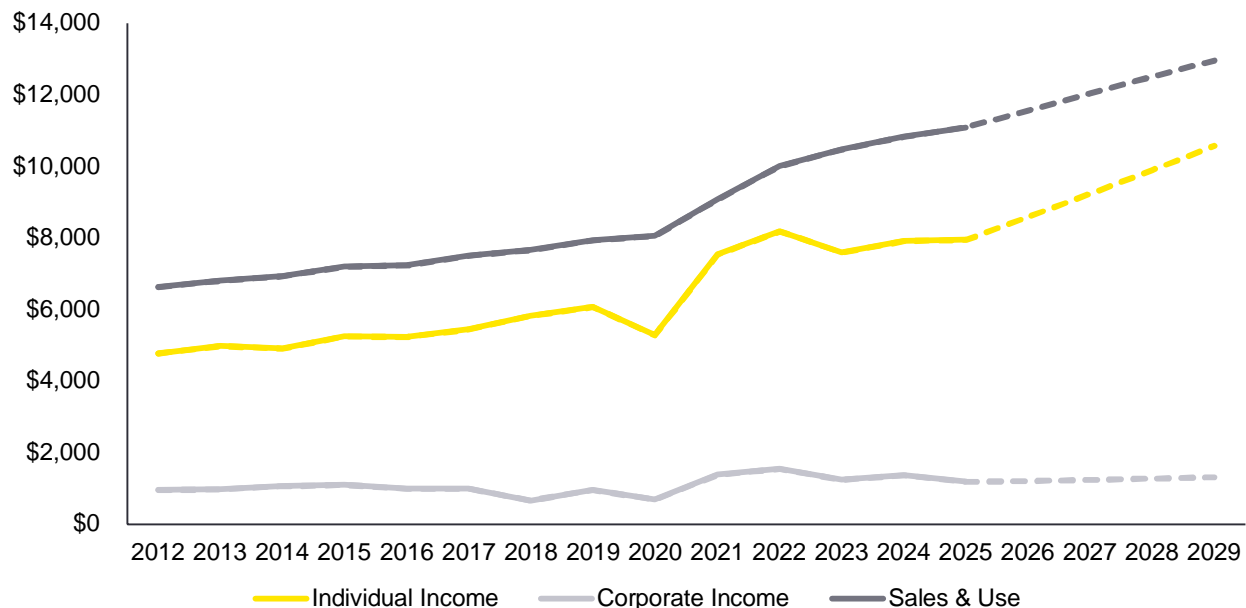
Figure 5. Indiana and US corporate income and individual income taxes
Indexed to 2012



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. Individual income tax is based on the Indiana Department of Revenue Annual Report.

Figure 6 below shows the historical trend and forecast for three major tax categories in Indiana: individual income tax, corporate income tax, and sales and use tax. The forecasted figures for the years 2023 to 2025 are based on Indiana’s General Fund revenue, while estimates for the years 2026 to 2028 are estimated using GDP forecast data and revenue elasticity.⁸

Figure 6. Indiana state General Fund revenue by major category, historical and forecast revenue, FY12–FY28 (\$ in billions)



Source: Ernst & Young LLP estimates based on Indiana General Fund revenue and GDP forecast data from Oxford Economics

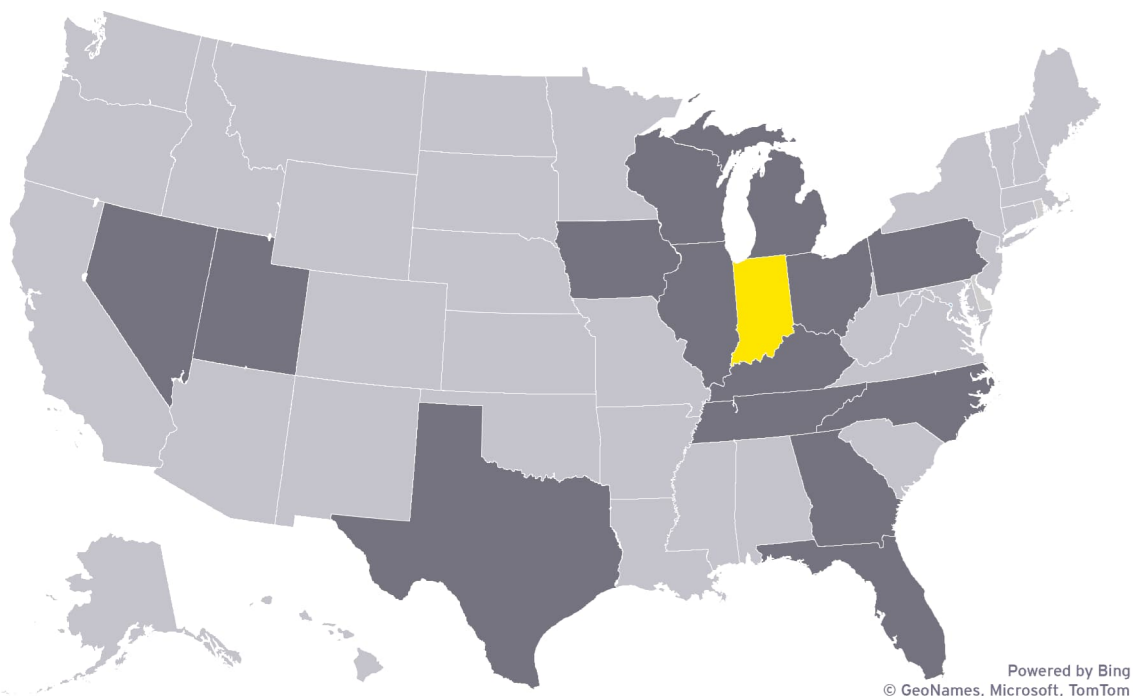
⁸ GDP forecast data was retrieved from Oxford Economics. The Oxford economics projection anticipates an average growth rate of 1.18% in real GDP from 2022 to 2026, while the Indiana forecast predicts growth of 1.08% over the same period.

According to Indiana’s General Fund revenue forecast, tighter monetary policy, higher inflation and a global slowdown are expected to slow economic growth from 2023–2025.⁹ Moreover, the individual income tax rate was reduced to 3.05% in 2024. This rate will continue to decrease to 2.9% for tax year 2027 and after. Corporate income tax has had the slowest growth since 2012, partially because the corporate adjusted gross income tax rate has been phased down since 2012 from 8.0% to 4.9% in FY21.¹⁰ Lastly, for sales and use tax, which is forecasted to continue to grow, the growth in adjusted personal income and increased consumer spending drives the sales tax trend according to Indiana’s General Fund Revenue Outlook.¹¹

2.0 Tax system benchmarking

This section compares state and local tax collections in Indiana to a set of comparison states and the US average. Benchmark states include Indiana’s direct neighbors as well as other comparison states selected by the Chamber Foundation. The benchmarking states include Florida, Georgia, Illinois, Iowa, Kentucky, Michigan, Nevada, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah and Wisconsin, as shown in Figure 7 below.

Figure 7. Map of benchmarking states



Source: Benchmarking states were provided by the Indiana Chamber.

⁹ Revenue Forecast Technical Committee. (16 December 2021). General Fund Revenue Forecast: Fiscal Years 2022 and 2023. Presented to the State Budget Committee. Retrieved from <https://www.in.gov/sba/files/2.-Presentation-to-the-State-Budget-Committee-December-16,-2021.pdf>.

¹⁰ LSA Memo. Historical overview of legislative tax changes in Indiana from 2000 to present. (29 September 2023). Office of Bill Drafting and Research, Indiana.

¹¹ Razafindramanana, H. (23 August 2023). General Fund Revenue Outlook Fiscal Years 2024 and 2025. Office of the Chief Economist & Tax Analysis, State Budget Agency, Indiana State Budget Agency.

To compare local taxes, representative urban, suburban and rural locations were selected for each state. Urban and rural locations are from the Lincoln Institute of Land Policy’s selections for their 50-state property tax comparison, with urban locations the largest city in each state and rural locations county seats with populations between 2,500 and 10,000.¹² Suburban locations were selected by EY using historical business investment data. See Table 4 for the locations by state.

Table 4. Benchmark states included in analysis and example locations for local taxes

State	Urban location	Suburban location	Rural location
Indiana	Indianapolis	Kokomo	North Vernon
Florida	Jacksonville	Fort Lauderdale	Moore Haven
Georgia	Atlanta	Norcross	Fitzgerald
Illinois	Chicago	Aurora	Galena
Iowa	Des Moines	Ankeny	Hampton
Kentucky	Louisville	Hopkinsville	Morehead
Michigan	Detroit	Auburn Hills	Manistique
Nevada	Las Vegas	Henderson	Fallon
North Carolina	Charlotte	Mooresville	Edenton
Ohio	Columbus	New Albany	Bryan
Pennsylvania	Philadelphia	Bethlehem	Ridgway
Tennessee	Nashville	Spring Hill	Savannah
Texas	Houston	Irving	Fort Stockton
Utah	Salt Lake City	Draper	Richfield
Wisconsin	Milwaukee	Kenosha	Rice Lake

Source: Benchmarking states were provided by the Indiana Chamber. Urban and rural locations are based on available property tax data from the Lincoln Institute of Land Policy’s “50-State Property Tax Comparison Study.” Suburban location chosen based on number of investments in suburban communities using EY’s investment monitor data. State and local tax comparison

Sources of state tax revenue

At the state level, shown in Figure 8, income tax accounts for a smaller share (32%) of total state tax collections in Indiana than the US average of 39%. Sales tax accounts for a larger share of Indiana’s state tax revenue at 40% than the US average of 29%. Sales tax is the largest single source of state tax revenue in Indiana. All benchmark states collect state sales tax. Sales tax provides the highest share of state tax revenue among states that do not levy an individual income tax, with the highest being Florida at 64% and Tennessee at 57% of state tax revenue. Illinois has the lowest share of state tax revenue from sales tax at 24%.

¹² The Lincoln Institute of Land Policy’s “50-State Property Tax Comparison Study” report can be found at go.lincolnst.edu. www.lincolnst.edu/publications/other/50-state-property-tax-comparison-study-2022.

Many states collect a small amount of property tax. Indiana's property tax includes a tax on railcars, in which railcars are assessed by the Department of Local Government Finance and taxed at the statewide average property tax rate and then distributed to state special funds. In FY23, \$15.5 million was collected from the railcar tax.¹³ Several benchmark states have more significant state property tax collections. Michigan levies a six-mill statewide property tax to fund education. Nevada has the highest share of state tax revenue from property tax at 12%, while the national average is 2%, including states that do not levy the tax.

Indiana's individual income tax provides 32% of state tax revenue. This is lower than the US average of 39% of state tax revenue from individual income tax, a figure which includes states that do not levy an individual income tax. Georgia and Utah have the highest share of state tax revenue from the individual income tax at 54% and 49%, respectively.

Indiana and all benchmark states collect corporate income tax at the state level. Corporate income tax accounts for 6% of Indiana's state tax revenue, which is lower than the US average of 9%. Illinois has the highest share of state tax revenue from corporate income tax at 15%.

Indiana's share of "other" taxes is 22%, which is similar to the US average. The other tax category includes a wide variety of taxes, such as severance taxes, licenses, amusement taxes and other selective taxes. Georgia has the lowest share of state tax revenue provided by the other tax category at 12%. Nevada at 43% and Texas at 41% collect the highest share of state tax revenue from these taxes.

Overall, Indiana stands out for its relatively high share of state revenue from sales tax. Indiana relies on a lower share of state revenue from the individual income tax compared to benchmark states with this tax. Indiana is middle of the pack in share of state tax revenue from corporate income tax and has little state property tax.

Sources of local tax revenue

At the local level, shown in Figure 9, Indiana has lower reliance on property tax than the US average. Property tax provides 68% of Indiana's local tax revenue compared to 72% of the US average. Benchmark states range from 57% to 92% of local revenue from property tax, with seven states higher than Indiana and six states lower than Indiana.

Indiana and two benchmark states do not have a local sales tax. Eleven (11) benchmark states have a local sales tax, collecting between 4% and 25% of local revenue. The average local sales tax share is 14% of local tax revenue.

Indiana and five benchmark states have a local individual income tax, while nine benchmark states have no local income tax.¹⁴ Indiana's local income tax provides 28% of local tax revenue in the state, higher than all 14 benchmark states. The US average for local income tax share is 5% of local tax revenue, a figure which includes states with no local income tax.

¹³ See Legislative Services Agency, Office of Fiscal Management Analysis, Indiana Property Tax memo from 20 November 2023 available at: <https://iga.in.gov/>.

¹⁴ Tennessee's income tax on interest and dividend income was phased out in 2022 and had negligible collections in FY22. The state's income tax only applied to interest and dividend income.

Indiana and 10 benchmark states do not have a local corporate income tax. Three benchmark states have a corporate income tax, with Kentucky's providing the largest share of local tax revenue at 4%. Nationally, 1% of local tax revenue is from corporate income tax, including states that do not levy a local corporate income tax.

The other tax category provides 9% of local revenue on average. This category includes sources such as licenses, public utilities, severance, excise, and documentary and stock transfer taxes. Indiana collects 4% of local revenue from other taxes. Benchmark states range from 3% for Wisconsin and Ohio to 24% for Nevada.

Overall, Indiana's local tax revenue picture stands out for its high share of revenue from individual income tax and lack of local sales tax. It is on the low end of other taxes and has no local corporate income tax, while it is in the middle of the pack for share of local tax revenue from property tax.

Combined state and local tax revenue picture

Figure 10 shows the main sources of tax revenue when state and local taxes are considered together. Despite having no local sales tax, Indiana has a greater reliance on sales tax than average with 27% of state and local tax revenue compared to the US average of 23%. The four benchmark states with a higher share of revenue from sales tax than Indiana each do not have an individual income tax at the state or local levels. Seven benchmark states have a lower share of state and local revenue from sales tax than Indiana, the lowest being Illinois at 17%.

Property tax provides 23% of Indiana's state and local revenue, lower than the US average of 29% and lower than 11 benchmark states. Kentucky has the lowest share of state and local taxes from property tax at 20%, while Texas has the highest share among benchmark states at 44%.

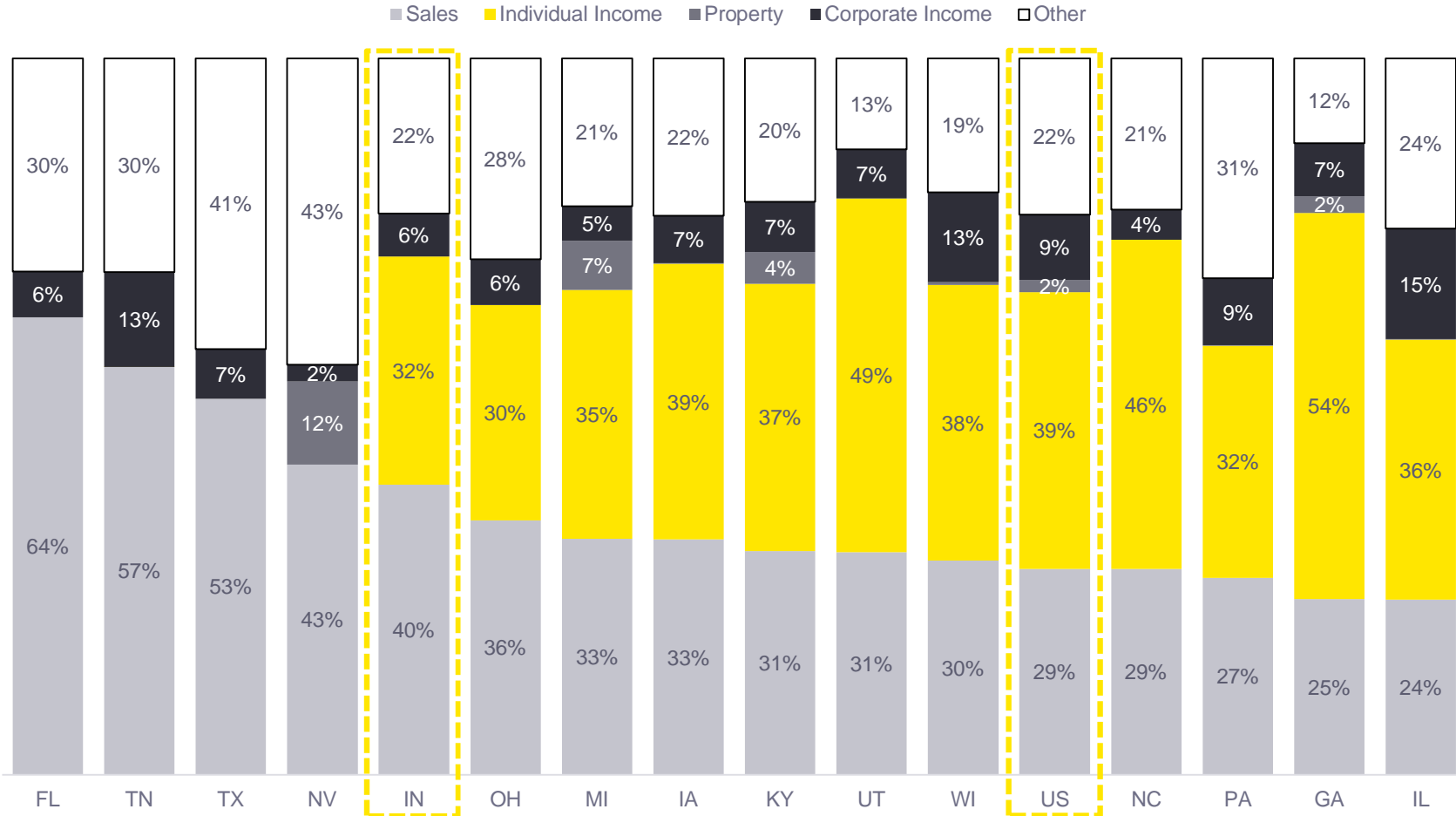
Indiana has the fifth highest share of state and local tax revenue from individual income tax at 31%, with only Kentucky (34%), Utah (33%), Georgia and North Carolina (both at 31%) being higher among benchmark states. The US average is 25% of state and local tax revenue from individual income tax, including states that do not levy the tax.

Corporate income tax provides 4% of Indiana's state and local revenue, lower than the US average of 6%. Benchmark states range from 9% for Illinois and Tennessee to 2% for Nevada.

Indiana's share of state and local revenue from the other tax category at 16%. Benchmark states range between 11% for Georgia and 37% for Nevada, while the US average is 17%.

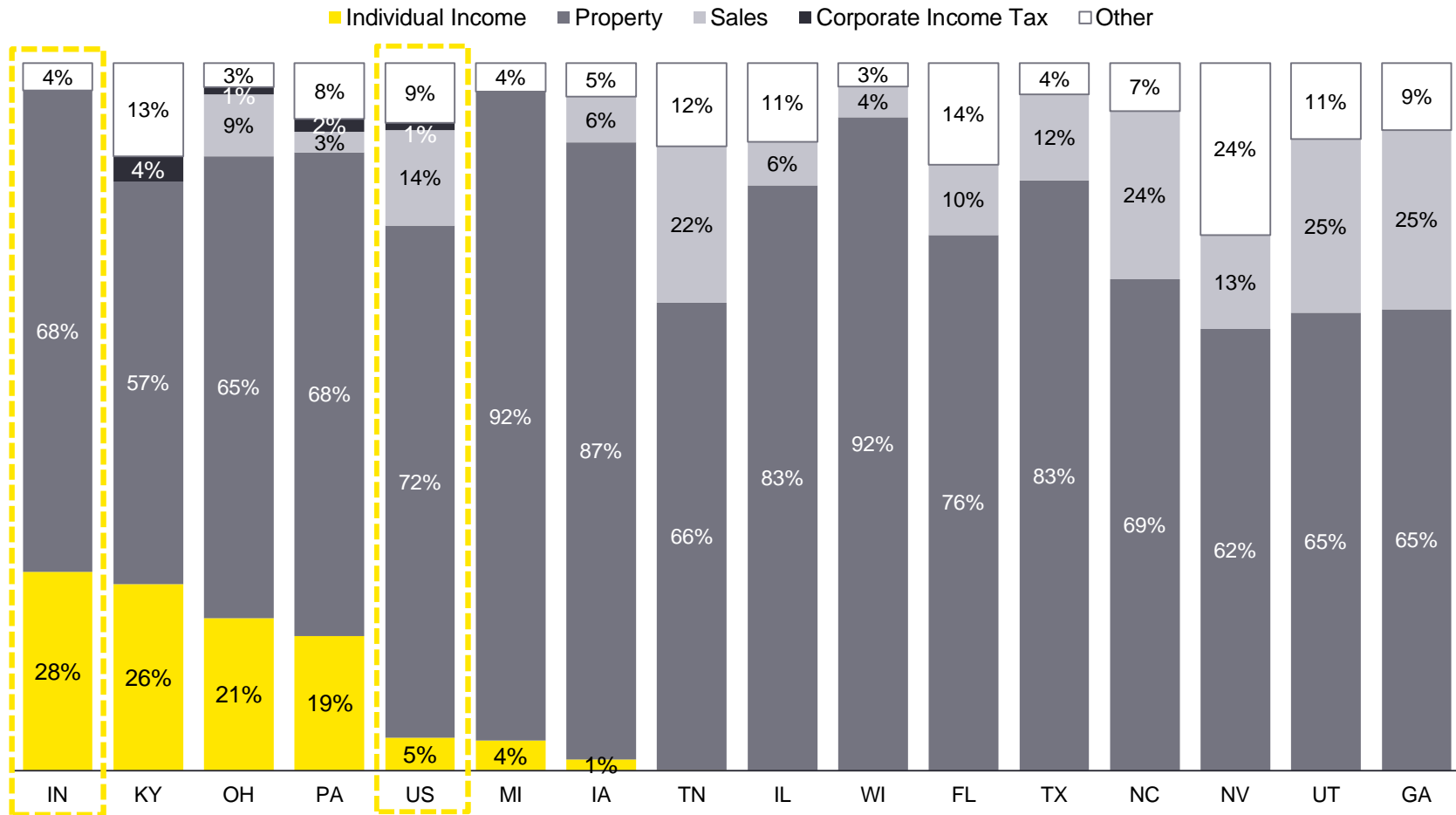
Overall, Indiana stands out for its relatively high share of state and local tax revenue from individual income and sales tax, with a low share from corporate income and other taxes. The share from sales tax is notable because it is relatively high despite the lack of a local sales tax. Indiana's share of state and local tax revenue from corporate income tax and property tax is in the middle of the benchmark states.

Figure 8. State tax revenue profile, FY22
Indiana and benchmark states



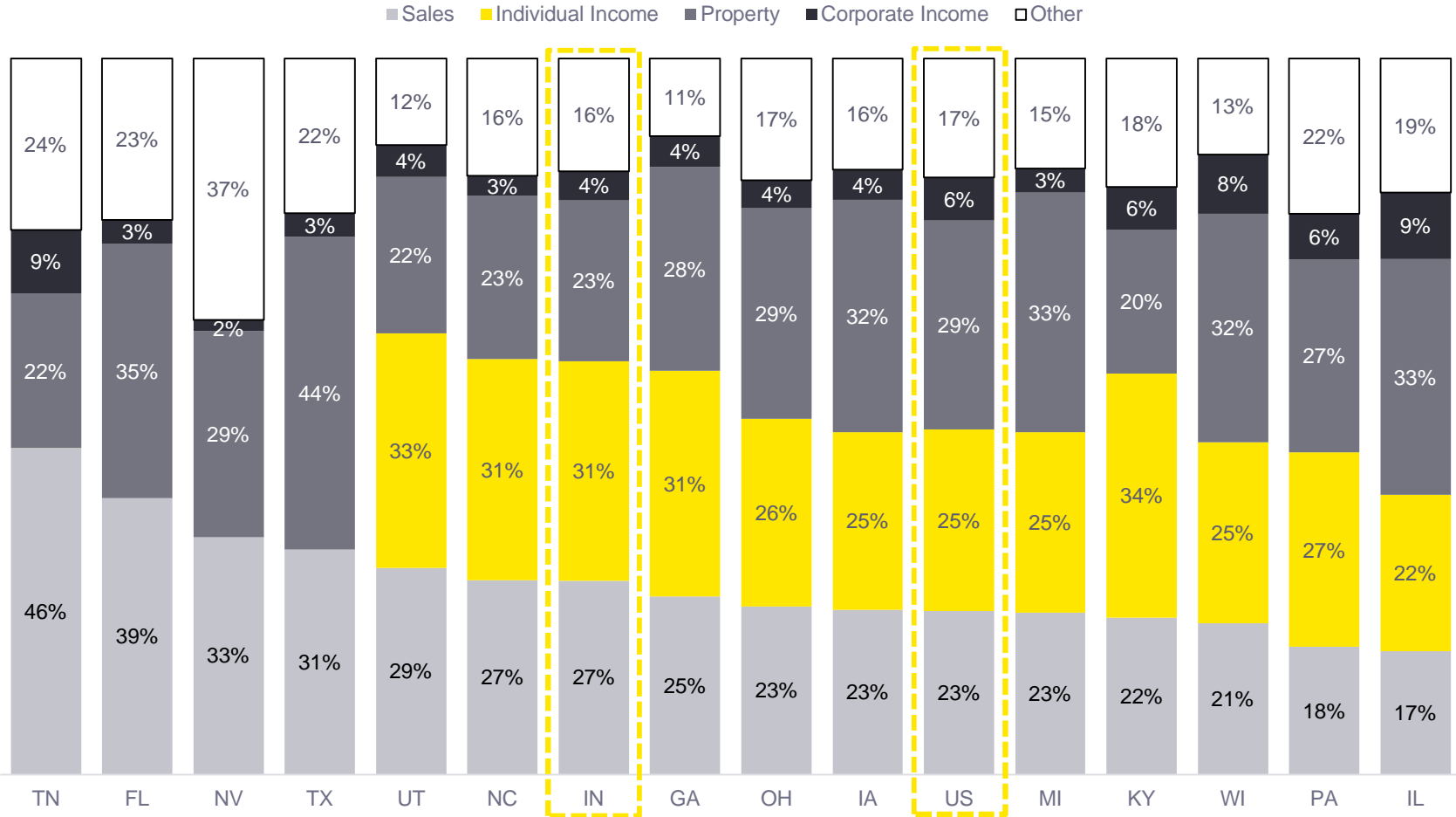
Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. The other category includes Census designated collections of taxes and fees on alcoholic beverage sales, amusement, insurance premiums, motor fuel sales, parimutuel betting, public utilities, tobacco sales and other selective sales separate from the general sales tax, as well as license fee, estate taxes, severance taxes, and documentary and stock transfer fees.

Figure 9. Local tax revenue profile, FY22
Indiana and benchmark states



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. The other category includes Census designated collections of taxes and fees on alcoholic beverage sales, amusement, insurance premiums, motor fuel sales, parimutuel betting, public utilities, tobacco sales and other selective sales separate from the general sales tax, as well as license fee, estate taxes, severance taxes, and documentary and stock transfer fees. For Indiana, this category includes the county innkeeper's tax and the food and beverage tax.

Figure 10. State and local tax revenue profile, FY22
Indiana and benchmark states



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. The other category includes Census designated collections of taxes and fees on alcoholic beverage sales, amusement, insurance premiums, motor fuel sales, parimutuel betting, public utilities, tobacco sales and other selective sales separate from the general sales tax, as well as license fee, estate taxes, severance taxes, and documentary and stock transfer fees.

2.1 Individual income taxes

State individual income taxes vary across the benchmark states in their base definition, rate structure, level of exemptions/deductions and the burden imposed as a share of personal income. Indiana’s state individual income tax is the second largest tax by revenue for Indiana, providing 36% of General Fund collections in FY23. This section compares Indiana’s individual income tax to that of benchmark states.

One important feature of a state’s individual income tax is the rate structure, varying in tax rates, their use of flat or graduated structures and the income threshold at which the top marginal rate applies. As shown in Table 5, four benchmark states do not tax individual income. Indiana is one of seven benchmark states that use a flat tax rate and it has the second lowest tax rate at 3.15% (3.05% in tax year 2024) of those states, just behind Pennsylvania at 3.07%. The remaining four (Georgia, Iowa, Ohio and Wisconsin) states use a graduated tax rate, though Georgia’s top bracket starts at \$10,000, which is effectively a flat rate.

Table 5. State individual income tax rate and tax bracket details, tax year 2023

State	Base	Highest marginal tax rate	Number of brackets	Top bracket threshold
Indiana	Federal AGI	3.15%	Flat	\$0
Florida	No income tax	No income tax	No income tax	No income tax
Georgia	Federal AGI	5.75%	6	\$10,000
Illinois	Federal AGI	4.95%	Flat	\$0
Iowa	Federal taxable income	6.00%	4	\$150,000
Kentucky	Federal AGI	4.50%	Flat	\$0
Michigan	Federal AGI	4.05%	Flat	\$0
Nevada	No income tax	No income tax	No income tax	No income tax
North Carolina	Federal AGI	4.75%	Flat	\$0
Ohio	Federal AGI	3.75%	4	\$0
Pennsylvania	Gross income	3.07%	Flat	\$0
Tennessee	No income tax	No income tax	No income tax	No income tax
Texas	No income tax	No income tax	No income tax	No income tax
Utah	Federal AGI	4.65%	Flat	\$0
Wisconsin	Federal AGI	7.65%	4	\$405,550

Florida, Nevada, Tennessee and Texas do not tax individual income tax at the state or local level. Individual income tax data is compiled from Checkpoint and CCH (formerly Commerce Clearing House) for FY23.

*Michigan temporarily reduced their flat individual income tax rate from 4.25% to 4.05% for tax year 2023.

As shown in Table 6, Indiana and five other benchmark states do not have a standard deduction out of 11 that tax individual income. Seven states allow for personal exemptions, with Georgia and Wisconsin allowing for both standard deductions and personal exemptions. Indiana has the third lowest exemption for a married household filing jointly with two dependents.

Table 6. State individual income tax deduction and exemption details, FY23

State	Standard deduction	Personal exemption range	Personal exemption, married filing jointly with two dependents
Indiana	None	\$1,000 for yourself, spouse and dependents \$1,500 additional dependent exemption*	\$7,000
Florida	N/A	N/A	N/A
Georgia	\$5,400 to \$7,100	\$2,700 to \$7,400 plus \$3,000 per dependent	\$13,400
Illinois	None	\$2,425 to \$4,850 plus \$2,425 per dependent	\$7,700
Iowa	\$2,210 to \$5,450	\$40 exemption credit per person	\$160 credit
Kentucky	\$2,980 to \$5,960	None	None
Michigan	None	\$5,000 to \$10,000 plus \$5,000 per dependent	\$20,000
Nevada	N/A	N/A	N/A
North Carolina	\$12,750 to \$25,500	None	None
Ohio	N/A	\$1,900 to \$4,800 plus \$19,000 — \$2,400 per dependent**	\$8,600
Pennsylvania	None	None	None
Tennessee	N/A	N/A	N/A
Texas	N/A	N/A	N/A
Utah	None	\$1,802 per dependent	\$3,604
Wisconsin	\$0 to \$21,820	\$700 to \$1,400*** plus \$700 per dependent	\$2,800

Florida, Nevada, Tennessee and Texas do not tax individual income tax at the state or local level. Individual income tax data is compiled from Checkpoint and CCH for FY23.

*Indiana provides an additional dependent child exemption of \$3,000 instead of \$1,500 for the first taxable year in which an exemption is allowed. Our analysis excludes this potential first-time additional exemption.

**Ohio's personal exemptions are tiered. \$8,600 credit is based off of \$80,000 in income.

***Wisconsin standard deductions are tiered based on income.

The rate structure and exemptions result in different effective tax rates (ETRs) at different levels of household income, as measured by AGI. Table 7 below shows the taxable income and effective individual income tax rates for households married filing jointly with two dependents at three levels of AGI: \$50,000, \$80,000 and \$150,000. Indiana has the 10th lowest ETR at the \$50,000 level and the sixth lowest at the \$80,000 and \$150,000 level.

Indiana’s relatively low standard deductions and exemptions in comparison to other states influences how its rank changes as AGI increases. For example, while Michigan and Indiana both have a flat individual income tax structure, Indiana’s ETR is higher at \$50,000 AGI and lower at \$150,000 AGI.

The difference is due to their rates and deductions, as Michigan has a higher flat rate than Indiana by almost a full percentage point but has a much larger personal exemption. At the \$50,000 level, Michigan’s exemption is high enough to offset the higher rate and Michigan has a lower effective tax rate. As income increases to the \$80,000 level, Indiana’s lower statutory rate makes more of a difference and Indiana and Michigan have nearly the same effective tax rate. As income increases to the \$150,000 level, the impact of the personal exemption is reduced and Indiana’s lower statutory rate results in a lower effective tax rate than Michigan.

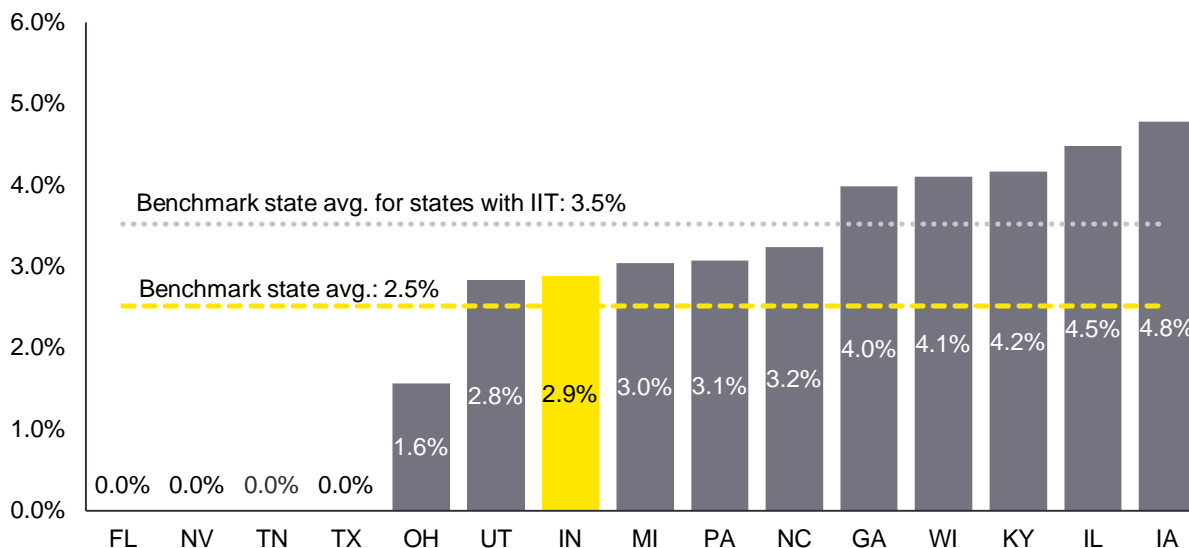
Table 7. Effective individual income tax rates (i.e., ETRs) for households married filing jointly with two dependents, tax year 2023

State	Taxable income			Effective tax rate		
	AGI = \$50,000	AGI = \$80,000	AGI = \$150,000	AGI = \$50,000	AGI = \$80,000	AGI = \$150,000
Indiana	\$43,000	\$73,000	\$143,000	2.7%	2.9%	3.0%
Florida	N/A	N/A	N/A	N/A	N/A	N/A
Georgia	\$29,500	\$59,500	\$129,500	2.9%	4.0%	4.8%
Illinois	\$42,300	\$72,300	\$142,300	4.2%	4.5%	4.7%
Iowa	\$50,000	\$80,000	\$150,000	4.4%	4.8%	5.2%
Kentucky	\$44,040	\$74,040	\$144,040	4.0%	4.2%	4.3%
Michigan	\$30,000	\$60,000	\$130,000	2.4%	3.0%	3.5%
Nevada	N/A	N/A	N/A	N/A	N/A	N/A
North Carolina	\$24,500	\$54,500	\$124,500	2.3%	3.2%	3.9%
Ohio	\$41,400	\$71,400	\$142,400	0.8%	1.6%	2.4%
Pennsylvania	\$50,000	\$80,000	\$150,000	3.1%	3.1%	3.1%
Tennessee	N/A	N/A	N/A	N/A	N/A	N/A
Texas	N/A	N/A	N/A	N/A	N/A	N/A
Utah	\$46,396	\$76,396	\$146,396	1.0%	2.8%	4.3%
Wisconsin	\$35,269	\$71,202	\$147,200	2.8%	4.1%	4.9%

Source: Ernst & Young LLP estimates based on individual income data from CCH and state Department of Revenue websites.

For households with AGI of \$80,000, Indiana’s 2.9% ETR is above the 2.5% comparison state average and below the 3.5% average for states that do levy individual income tax, as shown in Figure 11.

Figure 11. Effective state individual income tax rates (i.e., ETRs) for households married filing jointly with two dependents and AGI of \$80,000, tax year 2023



Effective tax rates estimated through EY analysis using data on individual income tax rates, deductions and exemptions from Tax Foundation. Florida, Nevada, Tennessee and Texas do not tax individual income. Iowa and Utah include statutory income tax credits.

2.2 Corporate income tax

Corporate income taxes by state vary across many features, including rate structure, sourcing rules for services and apportionment formulas. In addition to corporate income taxes, some states levy gross receipts and franchise taxes. Table 8 shows the rate structure and sourcing rules for services for Indiana and benchmark states. Indiana’s combination of using a corporate income base, a flat rate structure and a market-based approach for sourcing services is the single most common configuration among benchmark states and is used by seven others in the group.

Table 8. State corporate income tax details, tax year 2023

State	CIT?	CIT highest marginal tax rate	CIT number of brackets	Sourcing rules for services
Indiana	Yes	4.90%	Flat	Market based
Florida	Yes	5.50%	Flat	Cost of performance
Georgia	Yes	5.75%	Flat	Market-based
Illinois	Yes	7.00%	Flat	Market-based
Iowa	Yes	8.40%	2	Market-based
Kentucky	Yes	5.00%	Flat	Market-based
Michigan	Yes	6.00%	Flat	Market-based
Nevada	No	0.00%	N/A	N/A
North Carolina	Yes	2.50%	Flat	Market-based
Ohio	No	0.00%	N/A	N/A
Pennsylvania	Yes	8.99%	Flat	Market-based
Tennessee	Yes	6.50%	Flat	Market-based
Texas	No	0.00%	N/A	N/A
Utah	Yes	4.65%	Flat	Market-based
Wisconsin	Yes	7.90%	Flat	Market-based

State corporate income tax details compiled from Checkpoint, CCH and state websites.

States also vary in corporate income apportionment using different combinations of firm sales, property and payroll in the state, dictating a formula that assigns different weights to these factors. Some states allow special apportionment formulas for manufacturing, the most common of which is a single sales factor where corporate income is apportioned to the state for tax purposes based on share of sales in the state. Several of the states also have throwback rules when calculating the sales factor for corporate income tax apportionment. Throwback rules require that the corporation include in the numerator of its sales factor income earned that will not be taxed in another state. This could be due to lack of nexus in a state that the company sells to or sales to the federal government.

As shown in Table 9, Indiana uses a single-factor sales apportionment formula for corporate income, which is the most common among benchmark states, both overall and for manufacturing. Three benchmark states have throwback rules. Table 10 shows which states have a gross receipts or franchise tax.

Table 9. Apportionment formulas and throwback rules for corporate income tax

State	Apportionment formula	Manufacturing apportionment formula	Throwback rule?
Indiana	Single-factor sales	Single-factor sales	No
Florida	Double-weighted sales	Double-weighted sales	No
Georgia	Single-factor sales	Single-factor sales	No
Illinois	Single-factor sales	Single-factor sales	Yes
Iowa	Single-factor sales	Single-factor sales	No
Kentucky	Single-factor sales	Single-factor sales	No*
Michigan	Single-factor sales	Single-factor sales	No
Nevada	No corporate income tax	N/A	N/A
North Carolina	Single-factor sales	Single-factor sales	No
Ohio	No corporate income tax	N/A	N/A
Pennsylvania	Single-factor sales	Single-factor sales	No
Tennessee	5X-weighted sales	Single-factor sales	No
Texas	No corporate income tax	N/A	N/A
Utah	Single-factor sales	Single-factor sales	Yes
Wisconsin	Single-factor sales	Single-factor sales	Yes

*Kentucky requires sales to the federal government to be included in the numerator of the sales factor.

Source: EY analysis using state revenue and tax law sources

Table 10. State alternative tax details, tax year 2023

State	Gross receipts rate range	Franchise tax base	Franchise tax rate
Indiana	No	No	No
Florida	No	No	No
Georgia	No	Net worth	Fixed fee up to \$5k
Illinois	No	Capital stock	0.10%
Iowa	No	No	No
Kentucky	No	No	No
Michigan	No	No	No
Nevada	0.051% to 0.331%	No	No
North Carolina	No	Net worth	0.15%
Ohio	0.26%	No	No
Pennsylvania	No	No	No
Tennessee	0.02% to 0.1%	Net worth	0.25%
Texas	0.331% to 0.75%	No	No
Utah	No	No	No
Wisconsin	No	No	No

Source: State alternative tax details compiled from Checkpoint, CCH and state websites.

2.3 Property taxes

Property tax is the most significant source of local tax revenue for Indiana and all benchmark states, making up 68% of Indiana’s FY22 local tax revenue. Property taxes are set by local jurisdictions in each state. Types of property include real property (e.g., land and buildings) and personal property, which is divided into tangible property (e.g., machinery and equipment, appliances, motor vehicle) and intangible personal property (e.g., copyrights, patents).

Property is assessed for taxation purposes. Assessment ratios (or share of the property’s appraised or market value that is to be taxed) is shown in Table 11. For example, Nevada’s 35% assessment ratio for commercial real property means a parcel with a \$1 million market value would have a taxable value of \$350,000. As shown in Table 11, Indiana is one of eight benchmark states that use a 100% assessment ratio for commercial and industrial real property, and one of six that use a 100% assessment ratio for commercial and industrial personal property.

Table 11. Assessment ratios, tax year 2023

State	Commercial		Industrial	
	Real property	Personal property	Real property	Personal property
Indiana	100%	100%	100%	100%
Florida	100%	100%	100%	100%
Georgia	40%	40%	40%	40%
Illinois	33%	0%	33%	0%
Iowa	100%	0%	100%	0%
Kentucky	100%	100%	100%	100%
Michigan	50%	50%	50%	50%
Nevada	35%	35%	35%	35%
North Carolina	100%	100%	100%	100%
Ohio	35%	0%	35%	0%
Pennsylvania	100%	0%	100%	0%
Tennessee	40%	30%	40%	30%
Texas	100%	100%	100%	100%
Utah	100%	100%	100%	100%
Wisconsin	Varies by locality	Varies by locality	Varies by locality*	Varies by locality

Source: Data on assessment ratios from state and county websites.

*Note: Wisconsin industrial real property typically evaluated by the municipal assessor when the space dedicated to manufacturing constitutes less than 50% of the total building square footage. Occupancy criteria may depend on either a lease agreement or the actual area utilized.

As shown in Table 12, Indiana taxes tangible personal property but exempts intangible personal property and inventory from property taxes. Eight benchmark states share this set of rules. Among benchmark states, only Pennsylvania taxes intangible personal property and only Georgia, Kentucky and Texas tax inventory, although all three states provide freeport exemptions which are exemptions on inventory that is destined for shipment out of the state. Tangible personal property is subject to tax in Indiana and most benchmark states while it is exempt from tax in Illinois, Iowa, Ohio and Pennsylvania. Michigan provides an exemption for eligible manufacturing personal property.

Table 12. Additional property tax details, tax year 2023

State	Personal property taxation — tangible	Personal property taxation — intangible	Inventory taxation
Indiana	Taxable	Exempt	Exempt
Florida	Taxable	Exempt	Exempt
Georgia	Taxable	Exempt	Taxable
Illinois	Exempt	Exempt	Exempt
Iowa	Exempt	Exempt	Exempt
Kentucky	Taxable	Exempt	Taxable
Michigan	Taxable*	Exempt	Exempt
Nevada	Taxable	Exempt	Exempt
North Carolina	Taxable	Exempt	Exempt
Ohio	Exempt	Exempt	Exempt
Pennsylvania	Exempt	Taxable	Exempt
Tennessee	Taxable	Exempt	Exempt
Texas	Taxable	Exempt	Taxable
Utah	Taxable	Exempt	Exempt
Wisconsin	Taxable	Exempt	Exempt

*Michigan provides an exemption for eligible manufacturing personal property.

Source: Additional property tax details from CCH.

After exemptions and assessment ratios are applied to determine a property’s taxable value, it is multiplied by the local property tax rate to calculate the amount of property tax owed. The property tax burden for each community can be characterized as an overall ETR calculated by dividing total property tax collections by the market value of the property.

Table 13 shows the ETR for commercial property in example urban and suburban locations for Indiana and benchmark states, as well as the ETR for industrial property in an example rural location.¹⁵ Indiana’s example community has the fourth highest ETR for commercial property in an urban location and the highest ETR for commercial real property in a suburban location and industrial real property in a rural location.

¹⁵ Effective property tax rates (ETRs) model a hypothetical mix of real and personal property depending on the property type. For commercial property: \$25 million property in land and building and \$5 million of furniture, fixtures and equipment. For industrial property: \$25 million property in land and building and \$25 million in personal property, including \$12.5 million in machinery and equipment, \$10 million in inventory and \$2.5 million in furniture, fixtures and equipment.

Table 13. Effective property tax rates (i.e., ETRs), tax year 2023

Urban locations			Suburban locations			Rural locations		
(Commercial ETR)			(Commercial ETR)			(Industrial ETR)		
Rank	Location	Rate	Rank	Location	Rate	Rank	Location	Rate
1	Charlotte, NC	0.8%	1	Hopkinsville, KY	0.8%	1	Morehead, KY	0.7%
2	Salt Lake City, UT	1.0%	2	Draper, UT	0.8%	2	Richfield, UT	0.8%
3	Las Vegas, NV	1.1%	3	Henderson, NV	0.9%	3	Savannah, TN	0.9%
4	Nashville, TN	1.2%	4	Spring Hill, TN	0.9%	4	Edenton, NC	0.9%
5	Louisville, KY	1.3%	5	Mooresville, NC	1.0%	5	Ridgway, PA	0.9%
6	Atlanta, GA	1.5%	6	Norcross, GA	1.2%	6	Bryan, OH	1.0%
7	Jacksonville, FL	1.6%	7	New Albany, OH	1.6%	7	Fallon, NV	1.0%
8	Columbus, OH	1.9%	8	Kenosha, WI	1.7%	8	Rice Lake, WI	1.2%
9	Philadelphia, PA	2.0%	9	Fort Lauderdale, FL	1.8%	9	Galena, IL	1.3%
10	Houston, TX	2.1%	10	Bethlehem, PA	2.1%	10	Hampton, IA	1.4%
11	Milwaukee, WI	2.4%	11	Irving, TX	2.2%	11	Fitzgerald, GA	1.5%
12	Indianapolis, IN	2.7%	12	Auburn Hills, MI	2.4%	12	Moore Haven, FL	1.7%
13	Des Moines, IA	3.1%	13	Ankeny, IA	2.7%	13	Manistique, MI	1.7%
14	Detroit, MI	3.9%	14	Aurora, IL	2.7%	14	Fort Stockton, TX	2.1%
15	Chicago, IL	4.0%	15	Kokomo, IN	3.5%	15	North Vernon, IN	2.4%
	<i>Peer average</i>	2.0%		<i>Peer average</i>	1.6%		<i>Peer average</i>	1.2%

Note: Commercial property ETR is calculated based on \$25 million of real property and \$5 million of personal property. Industrial property ETR is calculated based on \$25 million of real property and \$25 million of personal property.

Source: Data on effective property tax rates from EY analysis.

2.4 Sales and use tax

Sales and use taxes provide 23% of state and local revenue in the US and 29% of Indiana’s state and local revenue. States vary in their sales tax rates at the state and local levels as well as in how many services are included in their sales tax base.

As shown in Table 14, Indiana is tied with Tennessee for having the highest state sales tax rate at 7%, which is 1.24 percentage points above the peer average. However, Indiana is one of three comparison states that do not levy sales tax at the local level, leaving its combined state and local rate just below the peer average.

Table 14. Sales and use tax details, tax year 2023

State	State rate	Average local rate	Combined rate
Indiana	7.00%	0.00%	7.00%
Florida	6.00%	1.02%	7.02%
Georgia	4.00%	3.39%	7.39%
Illinois	6.25%	2.59%	8.84%
Iowa	6.00%	0.93%	6.93%
Kentucky	6.00%	0.00%	6.00%
Michigan	6.00%	0.00%	6.00%
Nevada	6.85%	1.39%	8.24%
North Carolina	4.75%	2.25%	7.00%
Ohio	5.75%	1.49%	7.24%
Pennsylvania	6.00%	0.34%	6.34%
Tennessee	7.00%	2.55%	9.55%
Texas	6.25%	1.95%	8.20%
Utah	4.85%	1.10%	5.95%
Wisconsin	5.00%	0.43%	5.43%
<i>Peer state average</i>	<i>5.76%</i>	<i>1.39%</i>	<i>7.15%</i>

Source: Details on sales and use tax from CCH and the Tax Foundation.

Note: Combined state and local rate is the state sales tax rate plus the average of local sales tax rates in the state.

The taxation of services under the sales and use tax has been evolving in recent years as states add services to their sales tax base. Table 15 shows the number of services taxed in each state by major category. Compared to benchmark states, Indiana taxes fewer services in almost every category compared to the benchmark states, except Illinois. This includes fewer business services, a large category for taxation in other states, which includes services such as advertising, commercial cleaning, and laundry and printing.

The only category where Indiana taxes more items than the average of benchmark states is the “other” category. This category includes categories where taxation is already common such as utilities and rentals, as well as other categories where taxation is uncommon across states such as professional services. Indiana is tied with the average of benchmark states for number of taxed services in computer online services, where Indiana taxes media downloads for books as well as for movies, video and music.

The full taxability of services matrix can be found in the appendix, Table A2

Table 15. Count of taxable services by service category

State	Personal services	Business services	Computer system	Computer online services	Automotive services	Admissions and amusements	Fabrication, installation and repair services	Other	Total
Indiana	2	1	2	2	0	1	0	22	30
Florida	4	12	2	0	2	7	7	14	48
Georgia	1	6	2	2	0	7	0	22	40
Illinois	0	1	2	0	1	0	1	20	25
Iowa	9	14	3	3	4	5	7	28	73
Kentucky	7	11	2	4	1	9	3	21	58
Michigan	2	6	2	0	0	0	1	21	32
Nevada	1	6	2	0	0	3	0	8	20
North Carolina	5	7	1	3	2	8	10	20	56
Ohio	7	12	7	4	3	3	6	18	60
Pennsylvania	3	16	6	5	2	1	6	24	63
Tennessee	5	6	5	3	3	8	7	22	59
Texas	6	16	8	4	2	8	8	29	81
Utah	4	6	4	3	2	7	6	20	52
Wisconsin	7	7	2	3	4	9	5	25	62
<i>Peer average</i>	4	9	3	2	2	5	5	21	52

Source: Data on taxable services from CCH, Checkpoint and the Federal Tax Administration survey on sales taxation of services.

2.5 Unemployment taxes

Unemployment taxes are of interest to employers, who see variation across states in unemployment tax rates and the taxable wage base of employees.¹⁶

As shown in Table 16 below, Indiana is just below the average of benchmark states for both the new employer rate and the average unemployment tax rate. States with the highest average tax rates include Pennsylvania, Michigan and Illinois while states with the lowest average tax rates include North Carolina, Utah and Florida.

Table 16. State unemployment taxes by state, tax year 2023

State	Taxable wage base	New employer rate	Average rate	Average tax at \$50,000 AGI
Indiana	\$9,500	2.5%	1.4%	\$128
Florida	\$7,000	2.7%	0.8%	\$55
Georgia	\$9,500	2.6%	1.2%	\$115
Illinois	\$12,960	3.2%	2.5%	\$320
Iowa	\$34,800	1.0%	1.3%	\$438
Kentucky	\$10,800	2.7%	1.6%	\$172
Michigan	\$9,500	2.7%	2.9%	\$275
Nevada	\$36,600	3.0%	1.8%	\$641
North Carolina	\$28,000	1.0%	0.6%	\$176
Ohio	\$9,000	2.7%	2.3%	\$211
Pennsylvania	\$10,000	3.5%	3.4%	\$335
Tennessee	\$7,000	2.7%	0.9%	\$66
Texas	\$9,000	2.7%	2.0%	\$179
Utah	\$41,600	Industry average	0.7%	\$283
Wisconsin	\$14,000	3.1%	1.2%	\$171
<i>Peer average</i>	<i>\$17,126</i>	<i>2.6%*</i>	<i>1.7%</i>	<i>\$245</i>

Details on state unemployment taxes collected from the Office of Unemployment Insurance.

*New employer rate peer average does not include Utah, which uses industry-specific rates.

¹⁶ While unemployment taxes are not included in the tax comparisons of state and local tax revenue in sections 2 and 3, they are included in the analysis of business taxes in sections 3 and 4.

3.0 Tax burden benchmarking

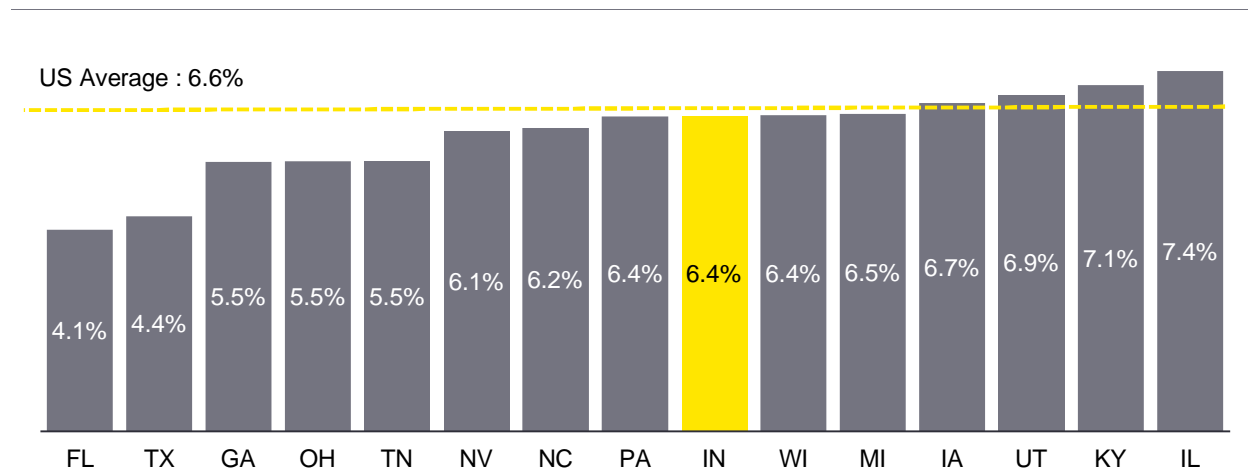
This section compares the state and local tax burden in Indiana compared to benchmark states, including the overall tax burden and a specific focus on the business tax burden.

3.1 State and local tax burdens

State and local taxes paid by households and businesses are imposed on a variety of tax bases that include property value, net income, gross receipts, the value of goods and services purchased, and the quantity of goods and services purchased. This analysis measures the aggregate tax burden of a state by comparing total state and local tax collections to the level of personal income available to pay the tax.

As shown in Figure 12, Indiana's tax burden from state-level taxes is slightly lower than the US average (6.4% of personal income vs. 6.6% US average). Indiana's individual income tax and business entity tax share of personal income are lower than the US average. Indiana is in the middle of the pack compared to benchmark states, which range from Florida at 4.1% to Illinois at 7.4% of individual income.

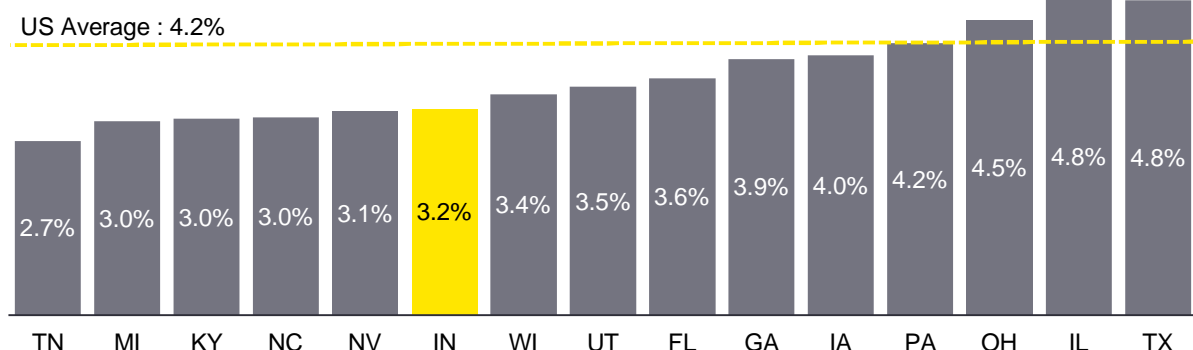
Figure 12. Total state taxes as a share of personal income, FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Personal income data is from the U.S. Bureau of Economic Analysis.

As shown in Figure 13, Indiana’s local tax burden is below the US average (3.2% compared to 4.2%). Indiana has the sixth lowest local tax burden among benchmark states, with the lowest at 2.7% of personal income for Tennessee and the highest at 4.8% for Texas. Indiana’s property and sales tax collections as a share of personal income are lower than the US and benchmark state averages.

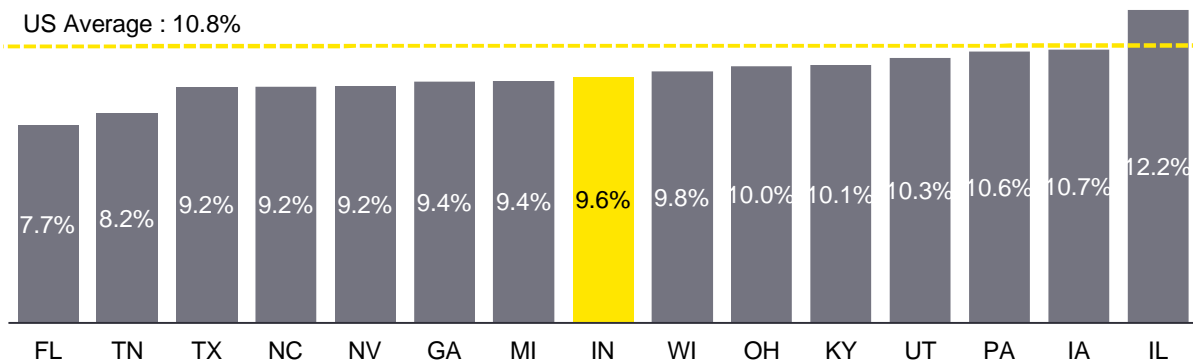
Figure 13. Total local taxes as a share of personal income, FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Personal income data is from the U.S. Bureau of Economic Analysis.

Figure 14 shows the combined state and local tax burden. Indiana has a combined state and local tax burden that is lower than the US average and in the middle of the benchmark states. Indiana’s property tax collections as a share of personal income are lower than the benchmark state average, while its individual income tax collections are higher than benchmark states.

Figure 14. Total state and local taxes as a share of personal income, FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Personal income data is from the U.S. Bureau of Economic Analysis.

Indiana’s relatively low overall state and local tax burden does not apply to all sources of revenue. Table 17 shows taxes as a share of personal income for selected major taxes at the state and local levels. At the state level, Indiana’s IIT tax burdens are lower than the US average and higher than the peer state average. At the local level, Indiana’s IIT burden is higher than the US and benchmark state average, while property and sales tax are lower than the US and peer state average.

Table 17. State and local taxes as a share of personal income, FY22 with detail by major tax type

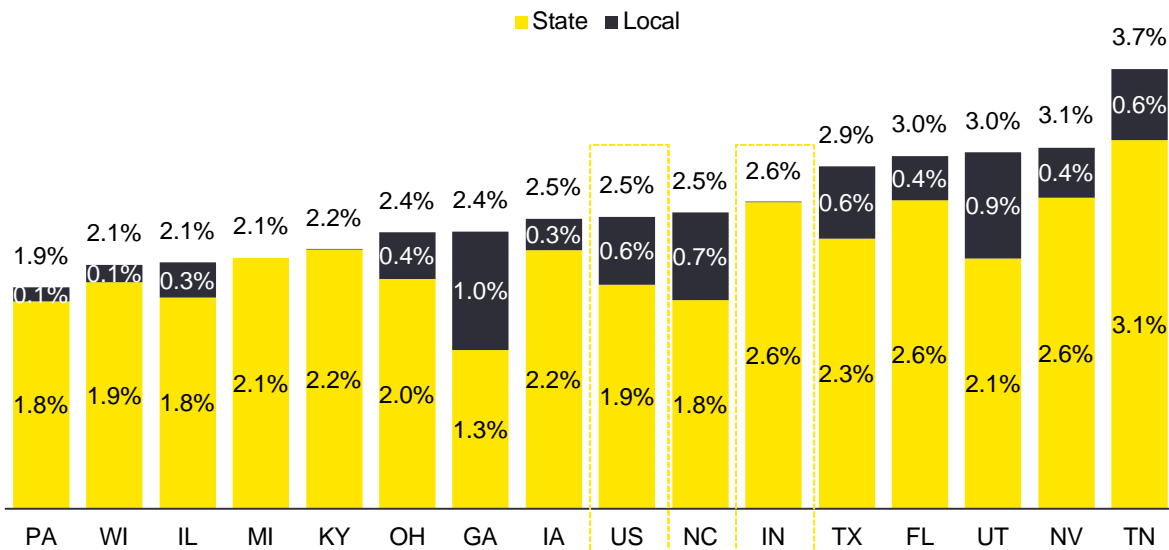
State	State taxes per \$ personal income					Local taxes per \$ personal income				
	IIT	Business entity	Sales	Other	Total	Property	Sales	IIT	Other	Total
Florida	0.0%	0.3%	2.6%	1.2%	4.1%	2.7%	0.4%	0.0%	0.5%	3.6%
Texas	0.0%	0.3%	2.3%	1.8%	4.4%	4.0%	0.6%	0.0%	0.2%	4.8%
Georgia	3.0%	0.4%	1.3%	0.8%	5.5%	2.6%	1.0%	0.0%	0.4%	3.9%
Ohio	1.7%	0.3%	2.0%	1.5%	5.5%	2.9%	0.4%	1.0%	0.2%	4.5%
Tennessee	0.0%	0.7%	3.1%	1.6%	5.5%	1.8%	0.6%	0.0%	0.3%	2.7%
Nevada	0.0%	0.1%	2.6%	3.3%	6.1%	1.9%	0.4%	0.0%	0.8%	3.1%
North Carolina	2.8%	0.3%	1.8%	1.3%	6.2%	2.1%	0.7%	0.0%	0.2%	3.0%
Pennsylvania	2.1%	0.6%	1.8%	2.0%	6.4%	2.8%	0.1%	0.8%	0.4%	4.2%
Indiana	2.1%	0.4%	2.6%	1.4%	6.4%	2.2%	0.0%	0.9%	0.1%	3.2%
Wisconsin	2.5%	0.8%	1.9%	1.2%	6.4%	3.1%	0.1%	0.0%	0.1%	3.4%
Michigan	2.3%	0.3%	2.1%	1.8%	6.5%	2.7%	0.0%	0.1%	0.1%	3.0%
Iowa	2.6%	0.4%	2.2%	1.5%	6.7%	3.5%	0.3%	0.1%	0.2%	4.0%
Utah	3.4%	0.5%	2.1%	0.9%	6.9%	2.3%	0.9%	0.0%	0.4%	3.5%
Kentucky	2.6%	0.5%	2.2%	1.7%	7.1%	1.7%	0.0%	0.8%	0.5%	3.0%
Illinois	2.7%	1.1%	1.8%	1.8%	7.4%	4.0%	0.3%	0.0%	0.5%	4.8%
Benchmark state average	1.8%	0.5%	2.1%	1.6%	6.0%	2.7%	0.4%	0.2%	0.3%	3.7%
Benchmark state average – States with IIT	2.6%	0.5%	1.9%	1.4%	6.4%	2.8%	0.4%	0.3%	0.3%	3.7%
US	2.6%	0.6%	1.9%	1.6%	6.6%	3.1%	0.6%	0.2%	0.4%	4.2%

*Business entity taxes include corporate income, gross receipts and franchise taxes.

Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report. Personal income data is from the U.S. Bureau of Economic Analysis.

Indiana’s sales tax burden is high at the state level and low at the local level with no local sales tax. Taken together, as shown in Figure 15, Indiana’s combined state and local sales tax burden is in the middle of the pack among benchmark states and is higher than the US average (2.6% compared to 2.5% US average). Indiana ranks sixth highest among benchmark states, which range from Pennsylvania’s 1.9% of individual income to Tennessee’s 3.7%. Indiana has the highest combined sales tax burden among states with no local sales tax (2.6% for Indiana vs. 2.2% for Kentucky and 2.1% for Michigan).

Figure 15. State and local sales taxes as a share of personal income, FY22



Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. Personal income data is from the U.S. Bureau of Economic Analysis.

3.2 Business tax burdens

As with overall tax burden, the variety of tax types, bases and rates at the state and local levels mean that the business tax burden can be measured in many ways. This section presents two ways to evaluate business taxation that capture different aspects of business tax burdens: business taxes as a share of total taxes and as a share of gross state product (GSP).

Business share of state and local taxes

As shown in Table 18, businesses pay an estimated 38% of state and local taxes in Indiana. This is lower than both the US average of 45% and the benchmark state average of 46%. However, the business share varies across the different major tax categories. The business share of property tax collections in Indiana is 65%, which is higher than both the US (54%) and benchmark state (55%) shares. The business share in Indiana is lower than the US average for all other major categories. Indiana’s business share is also lower than the benchmark state average for all major categories except individual income tax, where taxes on pass-through business income are estimated to comprise 13% of Indiana’s IIT, and is higher than the benchmark state average of 12%.

Table 18. Estimated business shares of tax collections in Indiana, US and peer state average, by tax type, FY22

Tax type	Indiana	US	Benchmark state average
Corporate Income	100%	100%	100%
Property	65%	54%	55%
Excise	38%	51%	47%
Licenses	34%	62%	60%
Sales	32%	42%	42%
Other	26%	53%	45%
Individual income*	13%	14%	12%
Overall average	38%	45%	46%

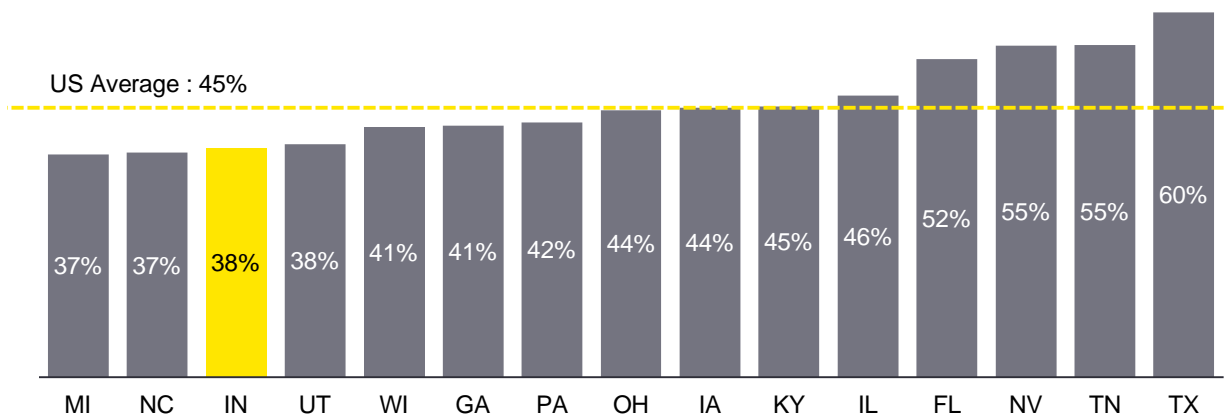
*Business share for this category is pass-through income taxes and pass-through entity tax.

Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances.

Note: Other taxes include death and gift, documentary and stock transfer, and severance taxes.

As shown in Figure 16, Indiana ranks third lowest among the benchmark states for business tax share, with a total tax share of 38%, higher than North Carolina’s and Michigan’s 37% of taxes paid by businesses. Texas has the highest business tax share at 60%.

Figure 16. Business tax share by state, FY22

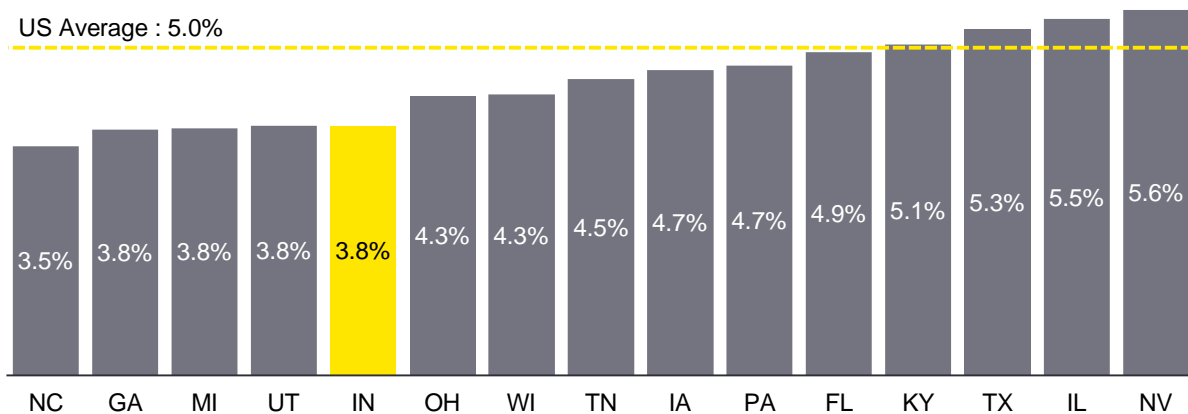


Source: Ernst & Young LLP estimates based on data from the U.S. Census Bureau Annual Survey of State and Local Government Finances. See the EY and Council on State Taxation, “Total state and local business taxes: state-by-state estimates for FY22,” December 2023. FY22 property tax collections are based on U.S. Census data and estimated by using tax calendar-year tax collection data from the Indiana Office of Fiscal and Management Analysis memo on Indiana property tax. Individual income tax is based on the Indiana Department of Revenue Annual Report.

Business taxes as a share of total economic activity

To measure the business tax burden in Indiana and compare it to other states, this analysis looks at the ratio of taxes paid to total economic activity in the state as measured by GSP. A state's total effective business tax rate (TEBTR) is total state and local taxes paid by business as a share of GSP. Figure 17 shows TEBTR for Indiana and benchmark states. Indiana's TEBTR is 3.8%, which is fifth lowest among benchmark states and below the US average of 5.0%.

Figure 17. Total effective business tax rate, FY22
(State and local taxes divided by gross state product)



Note: The TEBTR is the ratio of state and local business taxes to private-sector gross state product. The TEBTR for each state is determined through EY analysis.

4.0 Business tax competitiveness

This section presents estimates of the tax burdens faced by three types of industries in Indiana and the benchmark states: a manufacturing firm, a life sciences firm with light manufacturing and research and development activities, and a headquarters. This analysis captures the tax burden that a business making a new investment and operating for 30 years would bear in Indiana and each state. The analysis presented in this section analyzes the business taxes paid by the hypothetical business before any tax preferences that a location may offer, such as incentives or grants.

To benchmark the pre-incentive business tax burdens across the comparison states, representative business profiles were created for each type of firm using public data sources. The firm profiles reflect a composite of companies in the industry sector and reflect typical capital investments, average wages and operating expenditures. These profiles were kept consistent across the states. Table 19 below shows the business profiles for each industry.

Table 19. Firm profiles used in the tax burden analysis
(*\$ in millions, except wages*)

Metric	Manufacturing	Life sciences	Headquarters
NAICS industry	31–33	3254, 3345, 33911, 5417	55
Employees	500	500	500
Average wage	\$58,237	\$91,805	\$107,076
Total receipts	\$164.8	\$132.5	\$95.0
Payroll	\$29.1	\$45.9	\$53.6
Pre-tax net income	\$13.9	\$16.4	\$19.7
Annual non-labor costs	\$104.5	\$54.2	\$21.4
Total capital expenditures	\$60.8	\$46.5	\$31.5

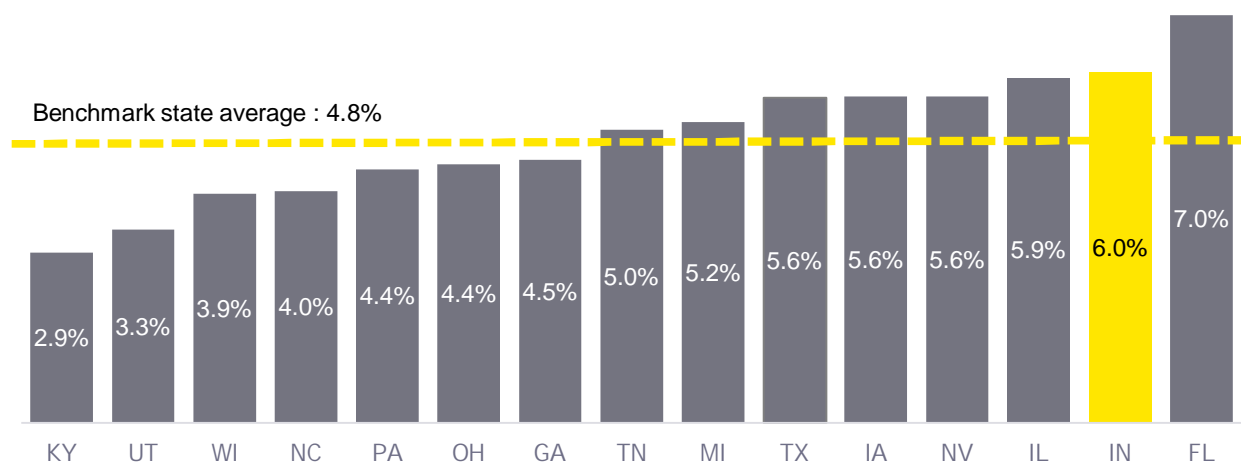
Source: EY analysis using IRS Statistics of Income (SOI) corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for manufacturing (NAICS 31-33 – All Manufacturing), life sciences (NAICS 3254 – Pharmaceutical and Medicine Manufacturing; 3345 – Navigational, Measuring, Electromedical, and Control Instruments Manufacturing; 33911 -Medical Equipment and Supplies Manufacturing; 5417 – Scientific Research and Development Services) and headquarters (NAICS 55 – Management of Companies and Enterprises) firms.

Using the business profiles summarized above, state and local taxes were calculated for each firm in each of the comparison states for the initial capital investment and subsequent operations of the facility for 30 years. The taxes in each state were then translated into ETRs, which is defined as state and local taxes divided by pre-tax net operating income.

4.1 Manufacturing firm effective tax rate

For the hypothetical manufacturing firm, Indiana’s total ETR is 6.0%, higher than the benchmark state average of 4.8% and second highest among benchmark states, as shown in Figure 18.

Figure 18. Manufacturing business effective tax rate
Initial capital investment + 30 years operations (ETR = tax burden/net operating income)



Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for manufacturing (NAICS 31-33 – All Manufacturing).

On average, for the states in this analysis, property and business entity taxes are the most impactful categories for manufacturing, accounting for over 70% of business taxes paid by the hypothetical manufacturing firm. As shown in Table 20, Indiana’s property tax ETR is highest among peer states. While Indiana’s overall property tax collections are lower than average (see Table 17) due to a low property tax base (i.e., low property values), Indiana has high property tax relative to that base. Manufacturing is a capital-intensive industry, and Indiana’s high taxation of both real and personal property results in the 4.9% property tax ETR for manufacturing, more than double the benchmark state average, with personal property tax accounting for 2.5 percentage points of the total effective rate. While Illinois and Iowa have higher real industrial property ETRs than Indiana, these states do not tax personal property, reducing their total effective property tax rate when accounting for both real and personal property. Indiana’s lower corporate income tax burden (see also Table 17) puts its business entity tax ETR at 0.5%, below the benchmark average of 1.1%.

Table 20. Manufacturing ETR by tax type, FY22

State	Property tax – Real	Property tax – Personal	Property tax – Total	Sales tax	Business entity tax	Other	Total
Kentucky	0.7%	0.7%	1.3%	0.4%	0.5%	0.7%	2.9%
Utah	0.8%	0.8%	1.7%	0.2%	0.5%	1.0%	3.3%
Wisconsin	1.2%	1.2%	2.4%	0.2%	0.8%	0.6%	3.9%
North Carolina	0.9%	0.9%	1.8%	0.2%	1.3%	0.6%	4.0%
Pennsylvania	1.8%	0.0%	1.8%	0.4%	0.9%	1.2%	4.4%
Ohio	2.0%	0.0%	2.0%	0.2%	1.5%	0.8%	4.4%
Georgia	1.5%	1.6%	3.1%	0.2%	0.6%	0.6%	4.5%
Tennessee	0.9%	0.9%	1.8%	0.6%	2.5%	0.2%	5.0%
Michigan	1.7%	1.7%	3.4%	0.2%	0.6%	1.0%	5.2%
Texas	2.1%	2.1%	4.2%	0.2%	0.3%	0.9%	5.6%
Iowa	2.8%	0.0%	2.8%	0.4%	0.8%	1.6%	5.6%
Nevada	1.0%	1.1%	2.1%	0.2%	1.1%	2.3%	5.6%
Illinois	2.5%	0.0%	2.5%	1.6%	0.7%	1.1%	5.9%
Indiana	2.4%	2.5%	4.9%	0.2%	0.5%	0.5%	6.0%
Florida	1.7%	1.7%	3.4%	0.4%	3.0%	0.2%	7.0%
Benchmark state average	1.5%	0.9%	2.4%	0.4%	1.1%	0.9%	4.8%

Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for manufacturing (NAICS 31-33 – All Manufacturing).

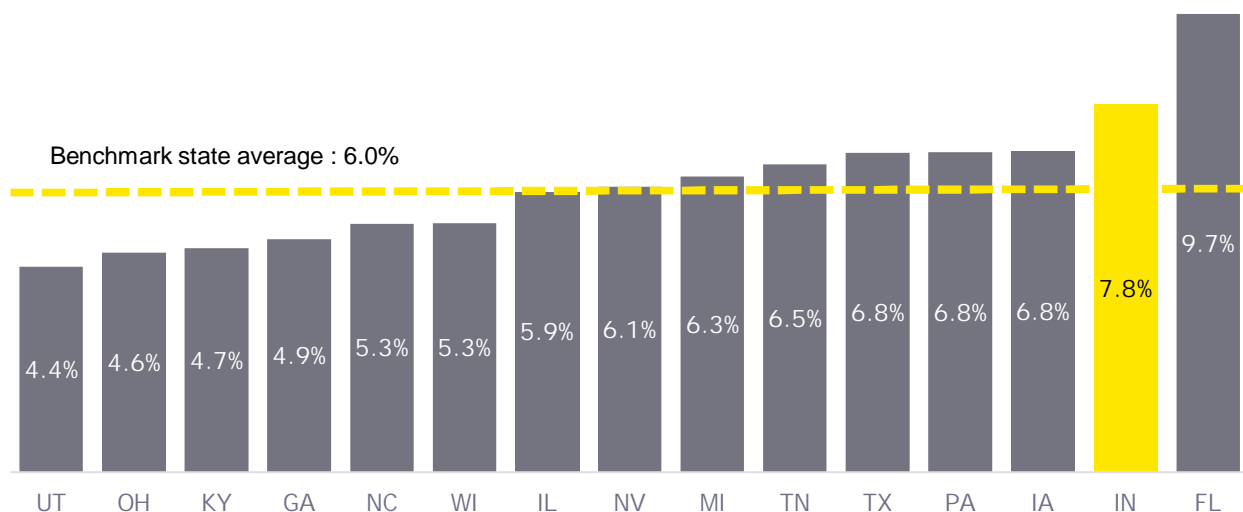
Note: Figures may appear not to sum due to rounding.

4.2 Life sciences firm effective tax rate

For the hypothetical life sciences firm, Indiana’s total ETR is 7.8%, higher than the benchmark state average of 6.0% and second highest among benchmark states, as shown in Figure 19.

On average for states in this analysis, property tax accounts for over 35% of business taxes paid by the hypothetical life sciences firm, while sales and business entity tax each account for roughly 25%. As shown in Table 21, Indiana’s property tax ETR of 5.2% is highest among peer states for the same reasons noted above for manufacturing including a 2.6% personal property ETR, due in part to higher property tax rates in the selected suburban location of Kokomo. These higher rates drive the high total effective tax rate because life sciences has a relatively large property tax base. Indiana’s business entity and sales tax ETRs are both below the benchmark state average.

Figure 19. Life sciences business effective tax rates
Initial capital investment + 30 years operations (ETR = tax burden/net operating income)



Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for life sciences (NAICS 3254 – Pharmaceutical and Medicine Manufacturing; 3345 – Navigational, Measuring, Electromedical, and Control Instruments Manufacturing; 33911 -Medical Equipment and Supplies Manufacturing; 5417 – Scientific Research and Development Services).

Table 21. Life sciences ETR by tax type, FY22

State	Property tax – Real	Property tax – Personal	Property tax – Total	Sales tax	Business entity tax	Other	Total
Utah	0.6%	0.6%	1.2%	1.3%	0.9%	0.9%	4.4%
Ohio	2.3%	0.0%	2.3%	1.3%	0.4%	0.6%	4.6%
Kentucky	0.6%	0.6%	1.2%	1.8%	1.0%	0.7%	4.7%
Georgia	0.8%	0.9%	1.7%	1.4%	1.2%	0.6%	4.9%
North Carolina	0.7%	0.8%	1.5%	1.7%	1.6%	0.5%	5.3%
Wisconsin	1.2%	1.3%	2.5%	0.6%	1.6%	0.5%	5.3%
Illinois	2.0%	0.0%	2.0%	1.6%	1.4%	1.0%	5.9%
Nevada	0.6%	0.7%	1.3%	1.4%	1.4%	2.0%	6.1%
Michigan	1.8%	1.4%	3.2%	1.1%	1.2%	0.8%	6.3%
Tennessee	0.7%	0.5%	1.2%	2.0%	3.1%	0.2%	6.5%
Texas	1.6%	1.7%	3.3%	1.7%	0.7%	1.1%	6.8%
Pennsylvania	1.9%	0.0%	1.9%	2.1%	1.8%	1.0%	6.8%
Iowa	2.4%	0.0%	2.4%	1.4%	1.7%	1.3%	6.8%
Indiana	2.5%	2.6%	5.2%	1.2%	1.0%	0.4%	7.8%
Florida	1.3%	1.3%	2.6%	1.5%	5.5%	0.2%	9.7%
Benchmark state average	1.3%	0.7%	2.0%	1.5%	1.7%	0.8%	6.0%

Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for life sciences (NAICS 3254 – Pharmaceutical and Medicine Manufacturing; 3345 – Navigational, Measuring, Electromedical, and Control Instruments Manufacturing; 33911 -Medical Equipment and Supplies Manufacturing; 5417 – Scientific Research and Development Services).

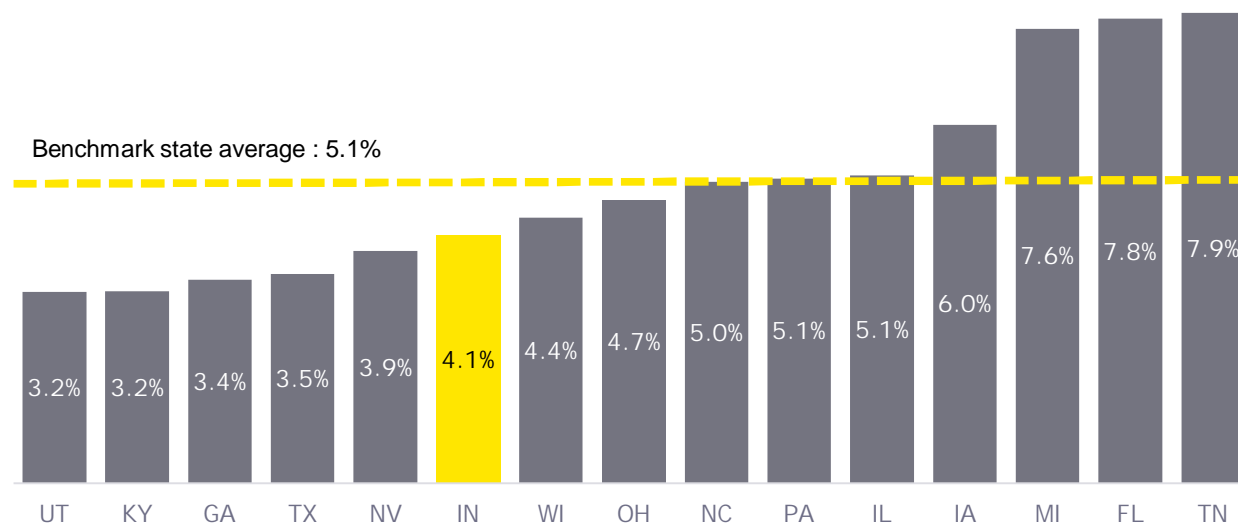
Note: Figures may appear not to sum due to rounding.

4.3 Headquarters firm effective tax rate

For the headquarters industry, Indiana’s ETR is 4.1%, sixth lowest among benchmark states and below the benchmark state average of 5.1%.

On average for states in this analysis, property tax accounts for 31% of business taxes paid by the hypothetical headquarters operation, while sales and business entity tax account for 16% and 41%, respectively. As shown in Table 22, Indiana’s headquarters business entity tax ETR is 1.0%, less than half the benchmark state average of 2.1% and third lowest among benchmark states. The sales tax and other tax ETRs are also below the benchmark state average. Because the headquarters sector has a low property tax base, the other taxes have a greater effect on the total business tax ETR, resulting in Indiana’s low total ETR for headquarters.

Figure 20. Headquarters business effective tax rates
Initial capital investment + 30 years operations (ETR = tax burden/net operating income)



Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for headquarters (NAICS 55 – Management of Companies and Enterprises) firms.

Table 22. Headquarters ETR by tax type, FY22

State	Property tax – Real	Property tax – Personal	Property tax – Total	Sales tax	Business entity tax	Other	Total
Utah	0.6%	0.2%	0.8%	0.7%	0.9%	0.7%	3.2%
Kentucky	0.9%	0.2%	1.1%	0.7%	1.0%	0.4%	3.2%
Georgia	1.0%	0.3%	1.2%	0.7%	1.2%	0.3%	3.4%
Texas	1.3%	0.3%	1.7%	1.1%	0.3%	0.5%	3.5%
Nevada	0.7%	0.2%	0.9%	0.7%	0.6%	1.6%	3.9%
Indiana	1.7%	0.4%	2.2%	0.7%	1.0%	0.3%	4.1%
Wisconsin	1.5%	0.4%	1.9%	0.5%	1.6%	0.4%	4.4%
Ohio	1.4%	0.0%	1.4%	0.7%	2.0%	0.5%	4.7%
North Carolina	0.5%	0.1%	0.6%	1.0%	3.0%	0.4%	5.0%
Pennsylvania	1.5%	0.0%	1.5%	0.9%	1.8%	0.9%	5.1%
Illinois	2.1%	0.0%	2.1%	0.9%	1.4%	0.8%	5.1%
Iowa	2.3%	0.0%	2.3%	0.9%	1.7%	1.1%	6.0%
Michigan	2.5%	0.6%	3.1%	0.6%	3.2%	0.7%	7.6%
Florida	1.0%	0.3%	1.2%	0.9%	5.5%	0.1%	7.8%
Tennessee	0.8%	0.2%	1.0%	1.2%	5.5%	0.2%	7.9%
Benchmark state average	1.3%	0.2%	1.5%	0.8%	2.1%	0.6%	5.1%

Source: Ernst and Young LLP estimates using IRS SOI corporate sourcebook, U.S. Economic Census and U.S. Bureau of Economic Analysis data for headquarters (NAICS 55 – Management of Companies and Enterprises).

Note: Figures may appear not to sum due to rounding.

5.0 Summary of state tax reform landscape

This section summarizes recent state tax reforms by revenue type in the past decade. It provides a high-level overview of trends nationally and specific state examples from Indiana's benchmark states when available.

Individual income tax reforms

Indiana's benchmark states have enacted a variety of individual income tax reforms over the past five years, including phased-in rate reductions, bracket consolidation, an expansion of EITC and child tax credits, and adjustment of tax brackets or personal exemption amounts for inflation.

- **Rate reductions.** From 2021 to 2023, 30 states reduced individual income tax rates, including eight states in 2023 alone (AR, KY, IN, MT, ND, NE, UT, WV). Among Indiana's benchmark states, Ohio, Utah, North Carolina, Kentucky and Georgia have adopted phased-in rate reductions. In Ohio, HB 33 phased in a rate reduction and consolidated the state's existing four brackets into two over the next two years.¹⁷ In Utah, HB 54 reduced the IIT rate by 20 basis points to 4.65% in 2024.¹⁸ North Carolina has enacted a multiyear rate reduction of 100 basis points to 3.99% by tax year 2026 (HB 259).¹⁹

Georgia and Kentucky have introduced tax-cut triggers for rate reductions based on budget conditions. Specifically, Georgia enacted a phased-in rate reduction of 50 basis points to 4.99% by 2029, but the rate reductions can be delayed by one year in the event that certain budget requirements are not met.²⁰ Kentucky enacted a retroactive rate reduction of 50 basis points to 4.5% in tax year 2023 and another 50 basis points to 4.0% by tax year 2024 (HB 1).²¹

- **Bracket consolidation.** Utah in 2007 and North Carolina in 2014 were early adopters for consolidating their individual income tax brackets. In the past few years, more states have been proposing a shift from their existing graduated systems to single-rate or reduced-bracket systems. In 2023, Georgia enacted into law (H.B. 1437) a plan to consolidate its existing six-bracket system into a single rate of 4.99% in 2029. More recently, Iowa's governor proposed legislation for collapsing Iowa's existing nine-bracket system into a flat income tax rate of 3.65%, retroactive to the beginning of 2024.²² The governor's proposal follows 2022 legislation (HF2317) which started the consolidation of Iowa's IIT bracketed system.²³ Similar reforms were enacted in Nebraska²⁴ and North Dakota²⁵ in 2023 as well as South Carolina²⁶, Oklahoma²⁷ and Mississippi²⁸ in 2022 and Arizona²⁹ in 2021.

¹⁷ "Ohio budget legislation contains tax changes affecting businesses and individuals," *EY Tax News Update*, 12 July 2023.

¹⁸ "Utah issues revised 2023 income tax withholding guide reflecting lower personal income tax rate", *EY Tax News Update*, 11 May 2023.

¹⁹ "North Carolina law gradually reduces personal income tax rates starting in 2024," *EY Tax News Update*, 11 October 2023.

²⁰ "Georgia law lowers personal income tax rates starting in 2024," *EY Tax News Update*, 9 May 2022.

²¹ "Kentucky law lowers personal income tax rates for 2023 and 2024 and removes triggers for future rate cuts," *EY Tax News Update*, 15 March 2023.

²² Bolonga, Michael J. "Iowa Governor Outlines Plan for 3.65% Flat Income Tax Rate," *Bloomberg Tax*, 9 January 2024.

²³ HF 2317

²⁴ LB 754 collapses the current four-bracket IIT system into a three-bracket structure with an IIT phased-in rate reduction.

²⁵ HB 1158 consolidates North Dakota's five brackets into a three-bracket structure

²⁶ SB 1087

²⁷ HB 3635

²⁸ HB 531

²⁹ SB 1828

Bracket indexing to inflation. As of November 2023, 15 out of 31 states with multiple tax brackets already adjust for inflation. Along with Indiana, Michigan, Illinois, Kentucky, Pennsylvania, North Carolina and Utah use flat tax systems. In states with multiple brackets, Iowa and Ohio adjust brackets for inflation while Georgia does not.

- **Adjusting standard deduction and personal exemption amounts.** At least five benchmark states either have raised their standard deduction or personal exemption amounts and/or indexed the deduction/exemption amount to inflation. The latter helps maintain the value of the deduction in real terms. In 2023, Indiana raised the exemption for each dependent child from \$1,500 per year to \$3,000 in the first year of eligibility.³⁰

Recent standard deduction increases include Georgia³¹ and North Carolina³² as well as a personal exemption increase in Utah. In addition, Georgia plans to replace its combined standard deduction and personal exemption into a single standard deduction. Georgia and North Carolina do not index the standard deduction to inflation but Wisconsin³³ does, and Ohio does index for its personal exemption. Illinois also recently removed its inflation adjustment.³⁴

- **EITC and child tax credit (CTC) revisions.** From 2022–2023, 13 states expanded the EITC and a further eight states revised their child tax credit provisions. Michigan and Utah at least doubled their federal EITC match to 30% of the federal EITC in Michigan, and Utah raised its nonrefundable EITC from 15% to 20% of the federal EITC. Utah also enacted its first CTC at \$1,000 per dependent child ages one to three in 2023.³⁵
- **Pass-through entity (PTE) tax revision.** Following the federal TCJA state and local tax (SALT) limitation of the deduction individuals can take for state and local taxes to \$10,000, 36 states have passed new PTE taxes. Business owners with pass-through income may elect to pay tax on their pass-through income at the entity level.³⁶ Business owners paying this entity-level PTE tax then receive a credit against their state income tax that is not subject to the \$10,000 SALT deduction limit.³⁷ Indiana has an elective PTE tax of 3.05% in 2024.

³⁰ “Indiana law lowers personal income tax rates gradually starting in 2024; exemption for dependent children is modified retroactive to January 1, 2023,” *EY Tax Notes*, 1 June 2023.

³¹ HB 1437

³² SB 105

³³ Wisconsin Legislative Fiscal Bureau, *Informational Paper #2: Individual Income Tax*, January 2023.

³⁴ SB1963

³⁵ HB 170

³⁶ As compiled by Bloomberg Tax, “Pass-Through Entity Elective Taxes”, 11 July 2023.

³⁷ The SALT deduction limit does not apply to tax that is “paid or accrued in carrying on a trade or business.”

Table 23. Individual income tax reforms summary

	Tax reform trends	State examples	Indiana context
Individual income tax	Phased-in IIT rate reduction or replacement	Between 2021–2023, 30 states have reduced IIT rates.	Phased-in rate reduction from 3.23% in 2022 to 2.90% by 2027.
	Consolidating of tax brackets	Between 2021–2023, eight out of 31 states with multiple tax brackets have started consolidating their graduated tax system.	Indiana has a flat rate.
	Adjusting tax brackets for inflation	Fifteen out 31 states with multiple tax brackets adjust for inflation.	Indiana has a flat rate.
	Adjusting standard deduction/personal exemption amounts	At least five benchmark states either have raised their standard deduction or personal exemption amounts and/or indexed the deduction/exemption amount to inflation.	Indiana has no standard deduction and a personal exemption of \$1,000 and an additional dependent exemption of \$1,500. Recent legislation allows for an additional \$1,500 for a first-time additional dependent exemption.
	EITC and child tax credit revisions	From 2022–2023, 13 states expanded EITC and eight states expanded CTC.	Increased EITC by 100 bp to 10% of Federal EITC.
	Creating or expanding taxes on elective and pass-through entities	Thirty-six (36) states have enacted a PTE tax since the TCJA SALT deduction limitation. Other states have allowed pass-through entities to be taxed at the entity level.	Allows for an elective PTE at a 3.05% rate that will decrease in tandem with the individual income tax rate.

Source: EY summary of reforms.

Corporate income tax reforms

Apart from broad-based rate reductions, recent trends in corporate income tax reforms include a shift toward market-based sourcing, single-sales factor apportionment, mandatory combined reporting and conformity with the TCJA bonus depreciation.

- Phased-in rate reductions.** In 2023, Arkansas³⁸ and Utah³⁹ adopted modest reductions of 20 basis points to their CIT rates. Among other benchmark states, North Carolina has started to phase out its corporate income tax by 2030 from 2.5% in 2021. Indiana led a sustained phase down of CIT rates from 8.5% in 2011 to 4.9% by July 2021.

³⁸ SB 549

³⁹ HB 54

- Market-based sourcing.** More than two-thirds of states, including Indiana, now adopt market-based sourcing, which relates to where sales of services and intangible property are sourced.⁴⁰ Under market-based sourcing for apportioning corporate income, all sales are sourced to where the customers or users are located. Of Indiana’s benchmark states, Kentucky and North Carolina recently adopted market-based sourcing in 2018 and 2020, respectively.
- Single-sales factor apportionment.** Thirty-one (31) out of the 46 states that levy a corporate income tax or gross receipts tax use the single-sales factor (SSF) apportionment method, where corporate income is apportioned to the state for tax purposes based only on the share of sales in the state.⁴¹ Of the 31 states adopting SSF, 13 states adopted the apportionment method since 2015, including Kentucky, North Carolina, Pennsylvania and Tennessee. SSF is normally combined with market-based sourcing (MBS), and 87% of states that have adopted SSF also adopted MBS.
- Mandatory combined reporting.** At least 28 states now require mandatory combined reporting, with New Mexico being the latest in 2020 and Maryland proposing legislation. Mandatory combined reporting requires businesses with affiliates to report total income as if the group was a single, unified business.⁴² States that adopt mandatory combined reporting aim to reduce tax avoidance and increase revenue. Indiana, along with benchmark states Iowa, Pennsylvania, North Carolina, Florida and Georgia, does not have mandatory combined reporting.
- Conformity with TCJA bonus depreciation.** The TCJA allowed for a 100% bonus depreciation for qualified short-term assets through 2027. Several states have started to allow for permanent expensing to conform with TCJA bonus depreciation. Indiana, along with the benchmark states, does not conform. Recently, Mississippi⁴³ and Oklahoma⁴⁴ have adopted legislation to allow for permanent expensing.

Table 24. Corporate income tax reforms summary

Tax reform trends	State examples	Indiana context
CIT rate reduction or replacement	Between 2021–2023, 13 states have reduced CIT rates, including AR and UT in 2023.	Phased-in rate reductions from 2012–2021.
Enact market-based sourcing	More than two-thirds of states adopt market-based sourcing, with KY (2018), NC (2020) and NH (2021) recent additions.	Uses market-based sourcing.
Mandatory combined reporting	At least 28 states now require mandatory combined reporting, with NM being the latest in 2020 and MD proposing legislation.	Does not require combined reporting.
Single-sales factor apportionment	As of August 2023, 31 out of 46 states with CIT use single-sales factor apportionment, with 13 adopting SSF since 2015. MT and TN adopted SSF with legislation introduced in NM and KS.	Uses single-sales factor apportionment.
Conformity with TCJA bonus depreciation	OK and MS have recently adopted permanent full expensing.	Does not offer a bonus depreciation allowance to conform with TCJA.

Source: EY summary of reforms.

⁴⁰ As compiled by the Multistate Tax Commission, “Review of MTC Model Sales/Receipts Sourcing & Special Industry Regulations,” 1 January 2023.

⁴¹ As compiled by the Federation of Tax Administrators, “State Apportionment of Corporate Income”, 2022. Updated to include Tennessee and Montana shift toward single-sales factor apportionment in 2023; Massachusetts also adopted legislation in October 2023 to move to SSF beginning in 2025.

⁴² As compiled by the Multistate Tax Commission, “Multistate Corporate Tax Guide,” 1 January 2023.

⁴³ SB 3101

⁴⁴ Thomson Reuters, “Bonus Depreciation — Tax and Accounting Glossary.”

Sales and use tax reforms

- **Base broadening.** States have been broadening the base of their sales and use taxes by including more personal services and digital products. Kentucky, for example, in 2023 expanded sales tax to more than 30 additional service categories, including parking services, massage services, marketing services, recreation and finance.⁴⁵ In the digital realm, Indiana has a “narrow-to-middle base” by taxing “prewritten software” and some “digital products” but does not broadly tax “cloud products” and other “enumerated services”.⁴⁶ Among the benchmark states, Texas has the broadest base according to the Multistate Tax Commission for taxing both “canned and custom software” and several services with broad digital applications; Ohio, Tennessee and Utah also have relatively broad bases by taxing a broad class of software products but limited cloud services or the reverse. The narrowest bases for digital products among benchmark states include Florida, Georgia, Illinois and Michigan.

Other sales and use tax reforms

- Some states such as Virginia, New Mexico, California and Washington have provided new exemptions or reduced rates for personal hygiene products and groceries.
- About one in five states also hold sales tax holidays particularly around return-to-school season for clothing, computers and other supplies for eligible families.⁴⁷ Among Indiana’s benchmark states, Florida, Nevada, Ohio and Texas held sales tax holidays during 2023.
- About 11 states have started to remove or lower the number of transactions and/or the amount from economic nexus thresholds, including Indiana, Georgia, Iowa, North Carolina, Ohio, Tennessee and Wisconsin.⁴⁸

Table 25. Sales and use tax reforms summary

Tax reform trends	State examples	Indiana context
Broadening of sales tax to include personal services and digital products	Expansion of tax base to include multiple personal service categories (KY) with more states expanding base for digital products to include “digital advertising services” (MD, NM), software and cloud computing.	Does not widely tax personal services and has a relatively narrow base of digital products.
Reduction in sales tax on groceries and personal hygiene and medical products	Exemption and rate changes have been made for groceries (VA 2023), personal hygiene products (VA 2023, NM 2022, CA 2023 and WA 2020), breast-feeding supplies for new mothers (CT 2021) and veterinarian prescription medicine (VA 2022).	Exempts groceries, but some personal hygiene products including menstrual products are taxable.
Sales tax holidays	In 2023, 20 states adopted sales tax holidays with the largest concentration in Southeast states.	Did not offer a sales tax holiday in 2023.
Eliminating the number of transactions from economic nexus thresholds	As of August 2023, 10 states have removed their economic nexus transaction thresholds.	Has a threshold of \$100,000.
Sales and use tax exemptions for data centers	GA and KY have adopted or expanded their sales and use tax exemptions for data centers and computer equipment.	Provides data center gross retail and use tax exemption.

Source: EY summary of reforms.

⁴⁵ HB 360

⁴⁶ As compiled by the Multistate State Commission, “Sales Tax on Digital Products,” 7 September 2023.

⁴⁷ Federation of Tax Administrators, “2023 State Sales Tax Holidays,” 14 November 2023.

⁴⁸ As compiled by the Sales Tax Institute, “Economic Nexus State by State Chart”, 9 August 2023.

Other tax reforms

- **Personal property relief.** In 2023, 13 states enacted some form of property tax relief. Among Indiana’s benchmarking states, North Carolina, Georgia and Michigan increased exemptions in 2023, and Texas introduced six measures for tangible personal property exemption. Additional trends in personal property tax relief include reducing assessment rates used to compute tangible personal property, increasing minimum exemption amounts and enacting a credit for taxes paid.⁴⁹
- **Excise taxes.** Several states have enacted or modified excise taxes in response to new products and services, including taxes related to cannabis and vaping, short-term vacation rentals and sports wagering. Others have modified existing taxes such as excise taxes on liquor and motor fuels, including suspensions of motor fuel taxes in 2022 by six states, including Colorado, Connecticut, Florida, Georgia, Maryland and New York, with an additional delay in rate increases in Illinois.

Table 26. Excise, property and other tax reforms summary

	Tax reform trends	State examples	Indiana context
Excise taxes	Cannabis and vaping tax rate changes	In 2022, four states have enacted new or revised cannabis rates (MT, NJ, NM, RI). As of August 2023, 31 states and DC have imposed excise taxes on e-cigarettes vaping.	Vaping products taxed at 15% of gross income; proposals exist for establishment of an excise tax for cannabis if legalized.
	Sports betting or wagering tax base expansion	KY established sports wagering excise taxes.	Imposes a 9.5% tax of AGI.
	Liquor tax rate changes	In 2019, CT and DE increased or modified their alcoholic beverage tax.	Taxes by gallon for beer, liquor or wine.
	Short-term vacation rentals tax base expansion	CA and VA have proposed a new tax on short-term vacation rentals.	Enacted tax of 7% in 2019.
	Motor fuel tax revisions	In 2022, seven states enacted motor fuel suspensions, freezes or rate cuts during rise.	Proposed but did not suspend in 2022.
Property taxes	Personal property tax relief or phase out	In 2023, 13 states enacted some form of property tax relief, with additional 15 states enacting reforms in 2022.	Taxes tangible personal property but exempts intangible personal property and inventory.
Other taxes	Estate and gift tax reductions	NJ and DE enacted phase-outs of their estate taxes and CT, MN and VT expanded estate and gift exemptions.	Indiana’s inheritance tax was repealed in 2013 and has not been reintroduced.
	Wealth tax proposals	Recent wealth tax proposals include CA, CT, HI, MD, IL, NV, NY and WA.	Indiana has not proposed any wealth taxes.

Source: EY summary of reforms.

⁴⁹ See “States Continue to Move Away from Taxing Personal Property,” *MultiState Tax Commission*, 31 July 2023.

Appendix

Table A1 below shows additional detail into the business profiles used to calculate the business tax competitiveness effective tax rates shown in Section 4.0. All of the components were estimated by EY using various available government sources shown in the base data column.

Table A1. Additional business profile details for tax competitiveness model
(\$ in millions)

Metric	Base data	Manufacturing	Life sciences	Headquarters
Financial details				
Total receipts	IRS Corporate Sourcebook	\$164.8	\$132.5	\$95.0
Payroll	The Bureau of Economic Analysis (BEA) Commodity Use by Industry	\$29.1	\$45.9	\$53.6
Number of employees	EY assumption	500	500	500
Cost of goods sold	IRS Corporate Sourcebook	\$116.3	\$58.5	\$0.4
Net income (taxes added back)	IRS Corporate Sourcebook	\$13.9	\$16.4	\$19.7
Net worth	IRS Corporate Sourcebook	\$100.6	\$115.3	\$329.3
Capital expenditures				
Land	IRS Corporate Sourcebook	\$1.7	\$1.1	\$2.5
Buildings	IRS Corporate Sourcebook; BEA Fixed Asset data	\$12.2	\$10.9	\$10.0
Machinery and equipment	IRS Corporate Sourcebook; BEA Fixed Asset data	\$12.8	\$1.6	\$0.5
R&D machinery and equipment	IRS Corporate Sourcebook; BEA Fixed Asset data	\$0.0	\$6.4	\$0.0
Furniture and Fixtures	IRS Corporate Sourcebook; BEA Fixed Asset data	\$0.6	\$1.2	\$0.8
Motor vehicles	IRS Corporate Sourcebook; BEA Fixed Asset data	\$0.5	\$0.3	\$0.4
Pre-packaged software	IRS Corporate Sourcebook; BEA Fixed Asset data	\$0.2	\$0.4	\$0.3
Custom software	IRS Corporate Sourcebook; BEA Fixed Asset data	\$0.4	\$1.3	\$1.2
Total capital expenditures		\$28.4	\$23.1	\$15.7

Metric	Base data	Manufacturing	Life Sciences	Headquarters
Annual operating expenses				
Non-manufacturing supplies	IRS Corporate Sourcebook; BEA Commodity Use by Industry	\$0.2	\$1.6	\$1.1
Utilities	IRS Corporate Sourcebook; BEA Commodity Use by Industry	\$2.1	\$1.0	\$0.6
Business services	IRS Corporate Sourcebook; BEA Commodity Use by Industry	\$8.5	\$21.1	\$16.6
Data/telecom	IRS Corporate Sourcebook; BEA Commodity Use by Industry	\$0.6	\$2.0	\$0.4
Repairs	IRS Corporate Sourcebook; BEA Commodity Use by Industry	\$0.4	\$0.5	\$0.6
Direct use	IRS Corporate Sourcebook; BEA Commodity Use by Industry	\$92.8	\$27.9	\$2.1
Total annual operating expenses		\$104.5	\$54.2	\$21.4

Table A2 shows the full services taxability matrix mentioned in section 2.4. The FTA survey on state taxation of services acted as the starting point for the list of services and their taxability. Due to data limitations and the phase-out of some services, EY has consolidated or removed some FTA services. Checkpoint's taxability codes were then mapped onto the relevant FTA code. For every service with both Checkpoint and FTA data, the analysis defaults to Checkpoint, as it is more up to date. For Indiana, services taxability was also checked against CCH.

Table A2. Service taxability matrix
(T means taxable, E means exempt)

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Agricultural Services															
Soil prep., custom baling, other ag. services	E	E	E	E	E	E	E	E	E	E	E	E	T	E	E
Veterinary services (both large and small animal)	E	E	E	E	E	T	E	E	E	E	E	E	E	E	E
Pet grooming	E	E	E	E	T	T	E	E	E	E	T	E	E	E	E
Landscaping services (including lawn care)	T	E	E	E	T	T	E	E	E	T	T	E	T	E	T
Industrial and Mining Services															
Metal, non-metal and coal mining services	E	T	T	E	E	E	E	T	E	T	T	T	T	T	T
Seismic services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Geological or geophysical models	E	E	E	E	E	E	E	E	E	E	E	E	T	E	E

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Oil and gas exploration services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Oil and gas extraction and production enhancement services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Oil and gas restoration and reclamation services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Oil and gas data management and processing services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Construction															
Carpentry	E	E	E	E	E	E	E	E	E	E	E	E	T	E	E
Residential building construction services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Nonresidential building construction services	E	E	E	E	E	E	E	E	E	E	E	E	T	E	E
Other construction	E	T	E	E	E	E	E	E	T	T	T	E	T	E	T
Heavy construction services	E	E	E	E	E	E	E	E	E	E	E	E	T	E	E
Water well drilling	E	E	E	E	T	E	E	E	E	E	E	E	T	E	E
Transportation Services															
Long-distance transit (inter-city) for passengers	E	E	T	E	E	E	E	E	E	E	E	E	E	E	E
Local transit (intra-city) for passengers	E	E	T	E	E	E	E	E	E	E	E	E	E	E	E
Income from taxi operations	E	E	T	E	E	E	E	E	E	E	E	E	E	E	E
Courier service – non-air	E	E	E	E	E	E	E	E	E	E	E	E	E	E	T
Courier service – air	E	E	E	E	E	E	E	E	E	E	E	E	E	E	T
Storage															
Warehousing and storage services	E	E	T	E	T	E	E	E	E	T	T	E	T	T	T
Mini-warehouse storage	E	T	E	E	T	E	E	E	E	T	T	E	E	E	E
Marine service (docking, storage, cleaning)	E	T	E	E	E	E	E	E	E	E	T	E	T	T	T
Marine towing service (incl. tugboats)	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Utility Service – Industrial Use															
Intrastate telephone & telegraph, industrial	T	E	T	T	T	T	T	E	T	T	T	T	T	T	T
Interstate telephone & telegraph, industrial	E	E	T	T	T	T	T	E	T	T	T	T	T	T	T
Cellular telephone services, industrial	T	E	T	T	T	T	T	E	T	T	T	T	T	T	T
Electricity, industrial	T	T	T	T	T	T	T	E	T	E	T	T	T	T	T
Water, industrial	T	E	E	T	T	T	E	E	E	E	E	T	E	E	E
Natural gas, industrial	T	E	T	T	T	T	T	E	T	E	T	T	E	T	E
Other fuel (including heating oil), industrial	T	E	E	T	T	T	T	E	T	E	E	E	T	E	T
Sewer and refuse, industrial	T	E	E	T	T	T	T	E	E	E	E	T	E	E	E

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Utility Service – Residential Use															
Intrastate telephone & telegraph, residential	T	E	T	T	T	T	T	E	T	T	T	T	T	T	T
Interstate telephone & telegraph, residential	E	E	T	T	T	T	T	E	T	T	T	T	T	T	T
Cellular telephone services, residential	T	E	T	T	T	T	T	E	T	T	T	T	T	T	T
Electricity, residential	T	T	T	T	T	E	T	E	T	E	T	T	T	T	T
Water, residential	T	E	E	T	T	E	E	E	E	E	E	T	E	E	E
Natural gas, residential	T	E	T	T	T	E	T	E	T	E	T	T	E	T	E
Other fuel (including heating oil), residential	T	E	E	T	T	E	T	E	T	E	E	E	T	E	T
Sewer and refuse, residential	T	E	E	T	E	E	T	E	E	E	E	T	E	E	E
Finance, Insurance and Real Estate															
Insurance services	E	E	E	E	E	E	E	E	E	E	E	E	T	E	E
Investment counseling	E	E	E	E	T	E	E	E	E	E	E	E	E	E	E
Loan broker fees	E	E	E	E	E	E	E	E	E	E	E	E	E	E	T
Property sales agents (real estate or personal)	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Real estate management fees (rental agents)	E	T	E	E	E	E	E	E	E	E	E	E	E	E	E
Real estate title abstract services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Personal Services															
Barber shops and beauty parlors	E	E	E	E	T	E	E	E	E	E	E	E	E	E	E
Carpet and upholstery cleaning	E	T	E	E	T	E	E	E	E	T	T	E	T	E	T
Dating services	E	E	E	E	T	E	E	E	E	E	E	E	E	E	E
Income from funeral services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Fishing and hunting guide services	E	E	E	E	E	E	E	E	E	E	E	T	E	T	T
Garment services (altering & repairing)	E	T	E	E	T	E	E	E	T	T	E	T	T	T	T
Health clubs, tanning parlors, reducing salons	E	E	E	E	T	T	E	E	E	T	E	E	E	E	E
Laundry and dry cleaning services, coin-op	E	E	E	E	E	E	E	E	T	E	E	E	E	E	T
Laundry and dry cleaning services, non-coin op	E	E	E	E	T	T	E	E	T	T	E	T	T	T	T
Massage services	E	E	E	E	T	T	E	E	E	T	E	E	E	E	E
Personal instruction (dance, golf, tennis, etc.)	E	E	E	E	T	T	E	E	E	E	E	E	E	E	E
Tax return preparation	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Tuxedo rental	T	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Food delivery fees	T	T	E	E	E	T	T	E	T	E	T	T	T	E	T

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Snow removal	E	E	E	E	E	T	E	E	E	T	E	E	T	E	E
Travel agent services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Professional Services															
Accounting and bookkeeping	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Architects	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Attorneys	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Dentists	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Engineers	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Land surveying	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Medical test laboratories	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Nursing services	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Physicians	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Business Services															
Sales of advertising time or space:															
Billboards	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Radio & television	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Internet	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Newspaper & magazine	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Advertising agency fees (not ad placement)	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Armored car services	E	T	E	E	T	E	E	E	E	T	E	E	T	E	E
Bail bond fees	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Check & debt collection	E	E	E	E	E	E	E	E	E	E	T	E	T	E	E
Commercial art and graphic design.	E	T	T	E	E	T	T	T	T	T	T	T	T	T	T
Commercial linen supply	T	T	T	E	E	T	T	T	T	T	T	T	T	T	T
Credit information, credit bureaus	E	E	E	E	E	E	E	E	E	E	T	E	T	E	E
Employment agencies	E	E	E	E	T	E	E	E	E	E	T	E	E	E	E
Interior design and decorating	E	E	E	E	T	T	E	E	T	E	E	E	T	E	E
Janitorial and cleaning services	E	T	E	E	T	T	E	E	E	T	T	E	T	E	E
Lobbying	E	E	E	E	E	T	E	E	E	E	T	E	E	E	E
Marketing	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Packing and crating	E	E	E	E	T	E	E	E	E	E	E	E	E	E	E
Exterminating (includes termite services)	E	T	E	E	T	E	E	E	E	T	T	E	T	E	E
Photocopying services	E	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Photo processing and finishing	E	T	T	T	T	T	T	T	T	T	T	T	T	T	T
Printing	E	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Typesetting service; platemaking for the print trade	E	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Private investigation (detective) services	E	T	E	E	T	E	E	E	E	T	E	E	T	E	E

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Process server fees	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Business consulting	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Secretarial and court reporting services	E	E	E	E	E	E	E	E	E	E	T	E	E	E	E
Security services	E	T	E	E	T	T	E	E	E	T	E	E	T	E	E
Telemarketing services on contract	E	E	E	E	E	T	E	E	E	E	E	E	E	E	E
Telephone answering service	E	E	E	E	T	E	E	E	E	E	T	E	T	E	T
Temporary help agencies	E	E	E	E	T	E	E	E	E	E	T	E	E	E	E
Environmental and other science research & laboratories testing	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Window cleaning	E	T	E	E	E	E	E	E	E	T	T	E	T	E	E
Computer System															
Software – package or canned program	T	T	T	T	T	T	T	T	T	T	T	T	T	T	T
Software – custom programs	E	E	E	E	T	E	E	E	E	E	E	T	T	E	E
Software – enterprise use	T	T	T	T	E	T	T	T	E	T	T	T	T	T	T
Internet service providers-Dialup	E	E	E	E	E	E	E	E	E	T	T	T	T	T	E
Internet service providers-DSL or other broadband	E	E	E	E	E	E	E	E	E	T	T	T	T	T	E
Information services	E	E	E	E	T	E	E	E	E	T	T	E	T	E	E
Data processing and preparation services	E	E	E	E	E	E	E	E	E	T	E	E	T	E	E
Mainframe computer access and processing serv.	E	E	E	E	E	E	E	E	E	T	T	E	T	E	E
Computer Online Services															
Data storage	E	E	E	E	E	E	E	E	E	T	T	E	T	E	E
Media downloads – book	T	E	T	E	T	T	E	E	T	T	T	T	T	T	T
Media downloads (movies/digital video/music)	T	E	T	E	T	T	E	E	T	T	T	T	T	T	T
Streaming services - music/audio/video	E	E	E	E	T	T	E	E	T	T	T	T	T	T	T
Cloud computing services	E	E	E	E	E	T	E	E	E	E	T	E	E	E	E
Automotive Services															
Automotive washing and waxing.	E	T	E	E	T	E	E	E	T	T	T	T	E	T	T
Automotive road service and towing services	E	E	E	E	T	E	E	E	E	T	E	E	E	E	T
Auto service. except repairs, incl. painting & lube	E	E	E	E	T	E	E	E	T	T	T	T	T	T	T
Parking lots & garages	E	T	E	T	T	T	E	E	E	E	E	T	T	E	T
Admissions & Amusements															
Pari-mutuel racing events.	E	E	T	E	T	T	E	T	T	T	E	T	T	T	T
Amusement park admission & rides	E	T	T	E	T	T	E	E	T	E	E	T	T	T	T
Cable TV services	T	E	E	E	T	T	E	E	T	E	T	T	T	E	T
Admissions to live performing events	E	T	T	E	E	T	E	E	T	E	E	T	T	T	T
Admission to sports events	E	T	T	E	T	T	E	E	T	E	E	T	T	T	T

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Private club services and membership fees	E	T	T	E	T	T	E	E	E	T	E	T	T	T	T
Admission to cultural events	E	T	T	E	E	T	E	T	T	T	E	T	T	T	T
Rental of DVDs/tapes	E	T	E	E	E	T	E	T	T	E	E	E	E	E	T
Nightclubs and dance halls	E	T	T	E	E	T	E	E	T	E	E	T	T	T	T

Service	IN	FL	GA	IL	IA	KY	MI	NV	NC	OH	PA	TN	TX	UT	WI
Leases and Rentals															
Personal property	T	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Bulldozers, draglines and const. mach.	T	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Rental of hand tools	T	T	T	E	T	T	T	T	T	T	T	T	T	T	T
Short term automobile rental	T	T	T	T	T	T	T	T	T	T	T	T	T	T	T
Long term automobile lease	T	T	T	T	T	T	T	T	T	T	T	T	T	T	T
Aircraft rental	T	T	T	T	T	T	T	T	T	T	T	T	T	T	T
Hotels, motels, lodging houses	T	T	T	T	T	T	T	T	T	T	T	T	T	T	T
Fabrication, Installation and Repair Services															
Custom fabrication labor	E	E	E	E	E	E	E	E	T	E	E	E	T	E	E
Labor charges on repair of aircraft	E	T	E	E	E	E	E	E	T	E	E	T	E	T	E
Labor charges – repairs to vessels	E	T	E	E	T	E	E	E	T	E	E	T	E	T	E
Labor charges on repairs to railroad rolling stock	E	T	E	E	E	E	E	E	T	E	E	E	E	T	E
Labor charges on repairs to motor vehicles	E	E	E	E	T	E	E	E	T	T	T	T	T	T	T
Labor on radio/TV repairs; other electronic equip.	E	T	E	E	T	E	E	E	T	T	T	T	T	T	T
Labor charges – repairs other tangible property	E	T	E	E	T	E	E	E	T	T	T	T	T	T	T
Labor – repairs or remodeling of real property	E	E	E	E	T	E	E	E	T	E	E	E	T	E	E
Installation charges by persons selling property	E	T	E	T	E	T	T	E	T	T	T	T	T	E	T
Installation charges – other than seller of goods	E	T	E	E	T	T	E	E	T	T	T	T	T	E	T
Custom meat slaughtering, cutting and wrapping	E	E	E	E	E	T	E	E	E	E	T	E	E	E	E
Welding labor (fabrication and repair)	E	E	E	E	T	E	E	E	E	T	E	E	T	E	E

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