



State

Indiana has one of the lightest tax burdens in the United States. [Click here to compare the cost of doing business in other Midwestern states.](#) 🇺🇸

Indiana State Taxes

Excluded Taxes in Indiana

- Gross Receipts Tax
- Inventory Tax
- Inheritance Tax

Corporate Income Tax

The corporate Adjusted Gross Income Tax is calculated at a flat 6.25 percent of adjusted gross income. Adjusted gross income is a company's federal adjusted gross income with certain adjustments. This method of determination simplifies tax calculations for corporations and does not apply to S corporations and not-for-profit organizations. The rate is being reduced on a scheduled decline until it reaches 4.9% in July 2021.

Single-Sales Factor

Indiana is phasing in the single-sales factor for apportioning corporate income tax. Indiana had determined its share of an interstate or international corporation's taxable income by weighing the Indiana portion of a company's property and the proportion of its employees in Indiana. The single-sales factor will calculate the Indiana portion based solely on the portion of a company's sales in Indiana.

Sales and Use Tax

Indiana's Sales and Use Tax is tax is calculated at a rate of 7 percent. In manufacturing, the following are exempt from the sales tax: raw materials, equipment, power, electricity, and utilities. Wholesale sales, items used directly in production, and sales made in interstate commerce are exempt. In addition, the purchase of research and development equipment is exempt from the tax.

Individual Income Tax

Indiana's personal income tax is 3.23 percent of federal adjusted gross income (with certain exemptions and deductions.)

Patent Income Exemption

Taxpayers are exempt from certain income derived from qualified utility and plant patents. Qualified taxpayers are eligible for an exemption of 50 percent of patent income for each of the first five years. The exemption percentage decreases over the next five years to 10 percent in the tenth year. The total amount of exemptions claimed by a taxpayer may not exceed \$5 million per year. This benefit is available only to companies with 500 or fewer employees.

Visit the Indiana Economic Development Corporation for more information.

[Click here to learn more about taxes, credits, and exemptions in Indiana.](#)