



Pennsylvania

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
34	38	38	22	9	36

Pennsylvania’s corporate income tax rate is unusually high but is slowly phasing down to a competitive 4.99 percent. Pennsylvania also has a low, flat state-level individual income tax rate of 3.07 percent, but local earned income taxes (on a narrower base than the state income tax) dramatically increase overall levels of income taxation in the Commonwealth.

Pennsylvania is among the very few states to significantly cap net operating loss carryforwards, limiting them to 40 percent of taxable income, but recently enacted legislation will phase this cap up to 80 percent, in 10 percentage point increments, from 2025 through 2029. The Commonwealth does not conform to the Section 168(k) first-year expensing regime offered at the federal level. Pennsylvania also allows localities with existing gross receipts taxes to retain them, though new local gross receipts taxes cannot be created.

Local governments, meanwhile, operate under a patchwork of different state-imposed tax rules, with Philadelphia possessing unique authority given to no other jurisdiction. Consequently, Pennsylvania’s local taxes are among the more complex and burdensome in the country.