NORTH CAROLINA'S BUSINESS TAX CLIMATE

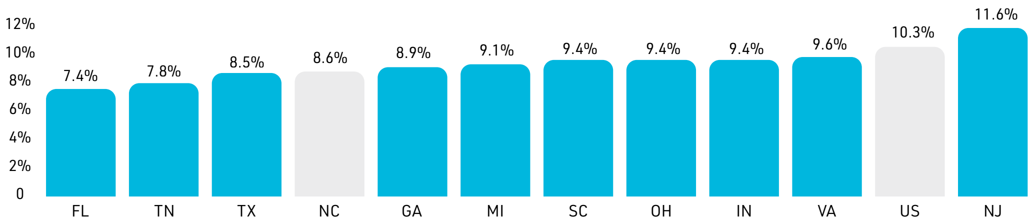
Key takeaways from the EY / NC Chamber Foundation & Council On State Taxation study
August 2026

NORTH CAROLINA HAS BUILT ONE OF THE MOST COMPETITIVE TAX CLIMATES IN THE COUNTRY – THE DATA BACKS IT UP ON KEY MEASURES.

OVERALL TAX BURDEN WELL BELOW AVERAGE

North Carolina's state and local tax burden equals 8.6% of personal income – below the 10.3% U.S. average and 4th-lowest among benchmark states. Per-capita state and local tax was $5,448, vs. $5,965 among peers and $7,370 nationally (FY2024).

Total state and local taxes as a share of personal income, FY24



Source: EY estimates, U.S. Census Bureau Survey of State & Local Gov't Finances

COLLECTIONS UP, EVEN AS RATES COME DOWN

Over the past decade, sales and use tax collections **more than doubled (+109%)** and individual income tax collections **grew 60% even with significant rate cuts.** Corporate income tax collections **grew 15%, even as the rate fell** from 6% to 2.5% (2014–2024) and to 2% in 2026.

State and local tax revenue in North Carolina, FY24 ($billions)

Tax types	FY24	% of total FY24	FY14	10-yr growth	Annual growth rate
Individual income	$16.7	28%	$10.4	60%	4.8%
Sales and use	$17.0	28%	$8.2	109%	7.6%
Property	$14.0	23%	$9.5	48%	4.0%
Corporate income	$1.6	3%	$1.4	15%	1.4%
Franchise tax	$0.7	1%	$0.5	35%	3.0%
Other	$10.2	18%	$8.2	33%	2.9%
Total	**$60.2**	**100%**	**$38.1**	**58%**	**4.7%**

Source: EY estimates, U.S. Census Bureau; NC Dept. of Revenue

BOTTOM LINE

North Carolina offers a highly competitive overall tax climate for businesses and residents alike – the main outlier is an outdated franchise tax on net worth.

WHY IT MATTERS

A competitive tax climate is one of the clearest levers for attracting business investment and driving economic growth. North Carolina delivers on that front, with one significant outlier – an outdated franchise tax on net worth that falls hardest on the capital-intensive, high-growth businesses the state most wants to keep.

WHAT'S NEXT

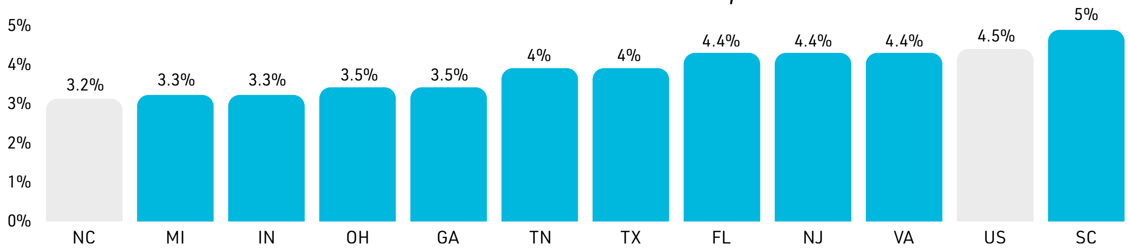
While North Carolina competes at the highest levels nationally, eliminating or modernizing the franchise tax is the single highest-leverage reform available – it would strengthen the state's position overall and specifically for the capital-intensive, high-growth businesses the state wants to attract and retain.

SCAN TO VIEW THE ENTIRE REPORT.

MOST COMPETITIVE BUSINESS TAX CLIMATE NATIONWIDE

North Carolina's total effective business tax rate (TEBTR) – all state and local business taxes as a share of gross state product – is 3.2%, the lowest of all 50 states, confirmed by both our benchmark study and EY's national FY24 study. The U.S. average is 4.5%.

Total effective business tax rates, FY24



Source: EY & Council On State Taxation, Total State and Local Business Taxes, Dec. 2025

THE OUTLIER: FRANCHISE TAX ON NET WORTH

North Carolina's franchise tax equals 0.10% of GSP – 5x the national average (0.02%) and over 3x the benchmark average (0.03%). Eleven states have repealed similar net-worth taxes in the past 25 years; it generates just 1.8% of NC tax revenue but disproportionately burdens capital-intensive, high-growth firms.

State and local business taxes as a share of state GSP, by type of tax, FY24

State	Individual Income	Corporate Income	Franchise/ Net Worth	Sales	Property	Other	Total
South Carolina	0.22%	0.45%	0.06%	1.03%	2.21%	0.95%	4.93%
New Jersey	0.59%	0.62%	0.00%	0.86%	1.16%	1.14%	4.37%
Florida	0.00%	0.40%	0.00%	1.26%	1.66%	1.05%	4.37%
Virginia	0.25%	0.40%	0.00%	0.60%	1.98%	1.11%	4.35%
Texas	0.00%	0.28%	0.00%	1.27%	1.76%	0.99%	4.30%
Tennessee	0.00%	0.62%	0.30%	1.35%	0.92%	0.77%	3.96%
Georgia	0.23%	0.47%	0.01%	0.86%	1.39%	0.59%	3.54%
Ohio	0.18%	0.34%	0.00%	0.83%	1.23%	0.95%	3.53%
Indiana	0.44%	0.21%	0.00%	0.75%	1.33%	0.60%	3.32%
Michigan	0.22%	0.27%	0.00%	0.74%	1.28%	0.78%	3.28%
North Carolina	0.28%	0.21%	0.10%	0.96%	0.95%	0.72%	3.23%
Benchmark avg.	**0.16%**	**0.37%**	**0.03%**	**1.04%**	**1.49%**	**0.92%**	**4.00%**
United States	**0.37%**	**0.56%**	**0.02%**	**0.97%**	**1.54%**	**1.07%**	**4.53%**

Source: EY & Council On State Taxation, Total State and Local Business Taxes, Dec. 2025