FREE REFERENCE

Indiana business taxes, explained for 2026

Small businesses in Indiana register with the state revenue agency for income tax withholding and sales tax, and with the Indiana Department of Workforce Development for unemployment tax. Indiana has a flat 2.95% income tax, a 7% state sales tax and a $9,500 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 2.95% income tax for 2026
- **Sales tax.** 7% state rate, about 7% combined with local
- **Unemployment.** Employers pay Indiana unemployment tax on the first $9,500 of each worker's 2026 wages

What taxes does a small business pay in Indiana?

Most Indiana businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Indiana?

Before your first payroll in Indiana:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Indiana withholding account with the Indiana revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Indiana Department of Workforce Development. For 2026, the tax applies to the first $9,500 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Indiana's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Indiana sales tax permit?

If you sell taxable goods or services in Indiana, yes. Register with the Indiana revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Indiana's economic nexus threshold.

SALES TAX IN INDIANA, MIDYEAR 2026	RATE
State rate	7%
Average local rate	0%
Average combined rate	7%
Highest local rate	0%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Indiana tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Indiana income tax on it at the personal rates: a flat 2.95% income tax. Indiana allows a personal exemption of $1,000 single and $2,000 joint and $1,000 for each dependent. Every Indiana county adds its own income tax. 2.02% is Marion County (Indianapolis).

Estimate yours with the Indiana income tax calculator.

Where are Indiana's tax forms and refund status?

- Indiana tax forms
- Indiana revenue agency
- Indiana refund status
- Indiana Department of Workforce Development

Every state's links are on our state tax forms page.

Which calculators work for Indiana?

- Indiana paycheck calculator: take-home pay after every deduction
- Indiana income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Indiana unemployment

Common questions

Do I need a sales tax permit in Indiana?
Yes, if you sell taxable goods or services there. Register with the Indiana revenue agency before your first taxable sale.

What is the Indiana unemployment wage base for 2026?
$9,500. Employers pay Indiana unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Indiana have a state income tax?
Yes. Indiana has a flat 2.95% income tax for 2026.

Who runs payroll taxes in Indiana?
The Indiana revenue agency handles income tax withholding, and the Indiana Department of Workforce Development handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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