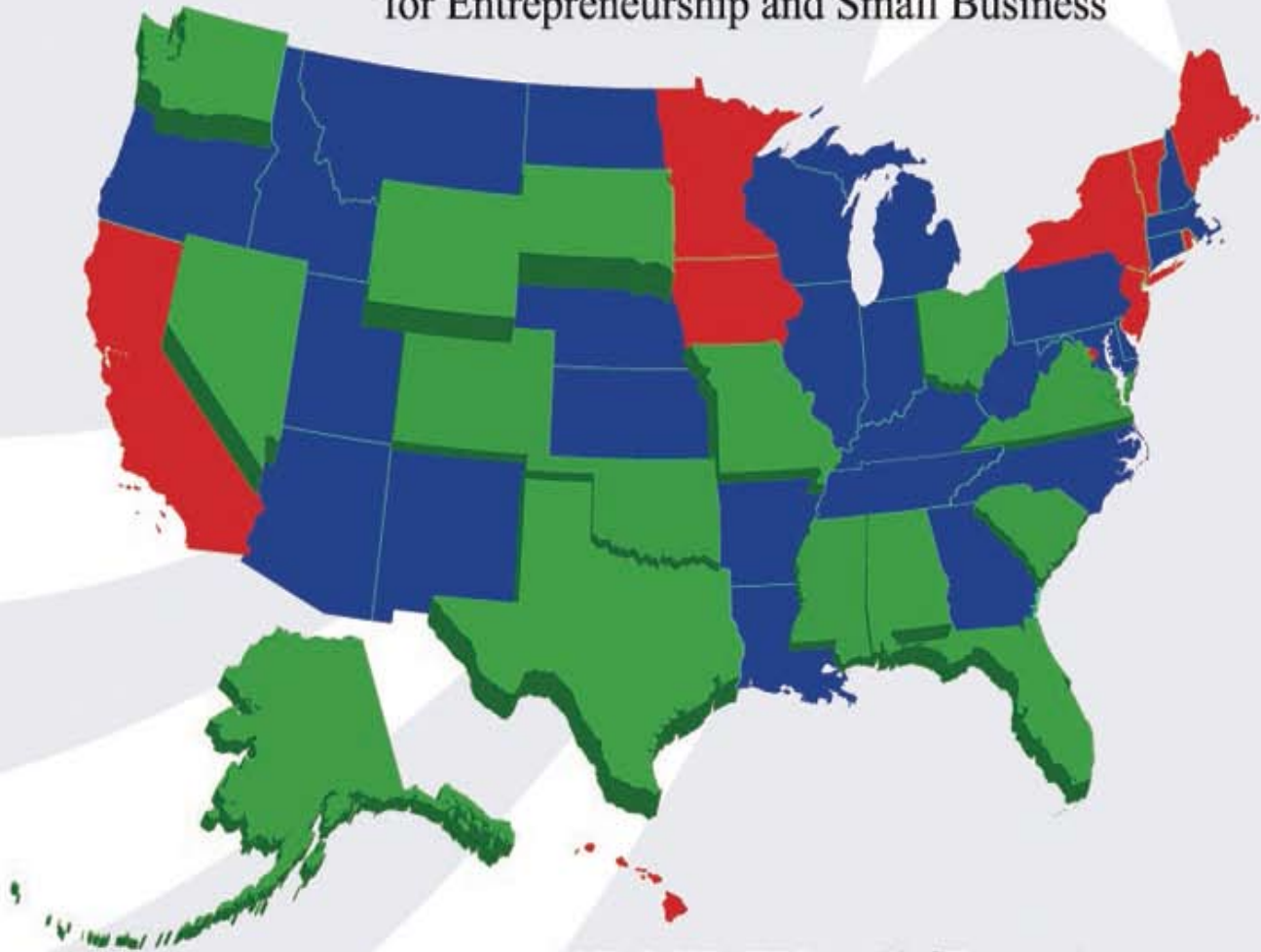


SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S

Business Tax Index 2011:

Best to Worst State Tax Systems
for Entrepreneurship and Small Business



RAYMOND J. KEATING, Chief Economist

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Protecting small business, promoting entrepreneurship



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When it comes to the taxes paid by businesses and consumers, the size of government obviously matters.

Quite simply, the bigger the public sector, the greater the amount of resources being drained – whether through taxing or borrowing – from the private sector. And government borrowing today raises the risk of higher taxes tomorrow.

Elected officials continue to propose tax increases, or actually raise them, in order to fund out-of-control government spending. In high-tax states, elected officials have refused to cut spending or slow its growth. Higher taxes have an impact on a state's competitiveness. Indeed, state and local taxes affect the decisions made by entrepreneurs, investors, businesses and individuals.

Unfortunately, several states in recent years have hiked taxes in response to a combination of excessive government spending, and declining revenues due to a down economy. In July 2010, the National Conference of State Legislatures reported: "The impact of the severe economic recession that began in 2007 continued to create substantial revenue shortfalls during 2010 legislative sessions. As a result, state legislatures were prompted to increase taxes and fees for the ninth consecutive year as they worked to shore up state budgets."

The implications for entrepreneurship, small businesses, investment and job creation are significant. Taxes not only shift resources away from the private sector, but they also distort incentives and economic activity. In the end, economic growth, incomes and job creation suffer.

While April 15 is traditionally "Tax Day" – the deadline for filing income taxes – it is critical to understand that taxes are a burden on entrepreneurs, investors and the economy throughout the year.

Each tax hits business directly or indirectly, distorts the workings of the marketplace, and diminishes economic efficiency by shifting resources from the private sector (guided by prices, profits and losses) into government (guided by politics and special interest pressures). But different taxes affect economic decision-making in different ways and impact the economy to differing degrees. For example, income taxes are the most damaging levies, as they impact incentives for working, investing and entrepreneurship. Property taxes affect decisions regarding investments in buildings and housing. And consumption-based taxes can divert and reduce consumer purchases.

In the end, though, all taxes matter, whether imposed at the federal, state or local level of government. They matter to consumers, entrepreneurs, investors and businesses. They matter

in terms of a state's competitiveness. And they matter when it comes to economic growth and job creation.

The Small Business & Entrepreneurship Council's (SBE Council's) "Business Tax Index 2011" ranks the states from best to worst in terms of the costs of their tax systems on entrepreneurship and small business. The Index pulls together 18 different tax measures, and combines those into one tax score that allows the 50 states and District of Columbia to be compared and ranked.

The 18 measures are: 1) state's top personal income tax rate, 2) state's top individual capital gains tax rate, 3) state's top corporate income tax rate, 4) state's top corporate capital gains tax rate, 5) any added income tax on S-Corporations, 6) whether or not the state imposes an alternative minimum tax on individuals, 7) whether or not the state imposes an alternative minimum tax on corporations, 8) whether or not the state's personal income tax brackets are indexed for inflation, 9) property taxes, 10) consumption-based taxes (i.e., sales, gross receipts and excise taxes), 11) whether or not the state imposes a death tax, 12) unemployment taxes, 13) whether or not the state has a tax limitation mechanism, 14) whether or not the state imposes an Internet access tax, 15) "Amazon" taxes, 16) gas tax, 17) diesel tax, and 18) wireless taxes.

The 15 best state tax systems are: 1) South Dakota, 2) Texas, 3) Nevada, 4) Wyoming, 5) Washington, 6) Florida, 7) Alabama, 8) Alaska, 9) Ohio, 10) Colorado, 11) South Carolina, 12) Mississippi, 13) Oklahoma, 14) Virginia, and 15) Missouri.

The 15 worst state tax systems are: 37) Illinois, 38) North Carolina, 39) Nebraska, 40) Connecticut, 41) Oregon, 42) Rhode Island, 43) Hawaii, 44) Vermont, 45) California, 46) Maine, 47) Iowa, 48) New York, 49) New Jersey, 50) Minnesota, and 51) District of Columbia.

The following pages provide the details that help determine the scores and rankings of SBE Council's "Business Tax Index 2011." A brief description summarizes why each factor is included in the Index, and how it is measured.

Business Tax Index 2011: State Rankings

Rank	State	BTI Score	Rank	State	BTI Score
1	South Dakota	11.132	26	Kansas	37.845
2	Texas	12.126	27	Michigan	38.029
3	Nevada	12.338	28	Montana	38.055
4	Wyoming	16.850	29	North Dakota	38.328
5	Washington	18.372	30	Pennsylvania	39.428
6	Florida	23.320	31	Maryland	40.052
7	Alabama	25.133	32	Wisconsin	40.392
8	Alaska	25.238	33	Delaware	40.403
9	Ohio	25.901	34	West Virginia	40.904
10	Colorado	28.010	35	Idaho	43.672
11	South Carolina	29.712	36	Massachusetts	44.579
12	Mississippi	30.628	37	Illinois	44.695
13	Oklahoma	32.209	38	North Carolina	44.812
14	Virginia	32.341	39	Nebraska	44.819
15	Missouri	32.582	40	Connecticut	45.349
16	Arizona	33.177	41	Oregon	46.511
17	Tennessee	33.235	42	Rhode Island	47.658
18	Georgia	34.071	43	Hawaii	48.378
19	Arkansas	34.148	44	Vermont	50.106
20	Utah	34.533	45	California	50.171
21	Louisiana	34.674	46	Maine	51.375
22	New Mexico	35.823	47	Iowa	52.055
23	New Hampshire	36.365	48	New York	52.771
24	Indiana	36.723	49	New Jersey	53.350
25	Kentucky	36.836	50	Minnesota	54.543
			51	Dist. of Columbia	61.302

Personal Income Tax: State personal income tax rates affect individual economic decision-making in important ways. A high personal income tax rate raises the costs of working, saving, investing, and risk taking. Personal income tax rates vary among states, therefore impacting crucial economic decisions and activities. In fact, the personal income tax influences business far more than generally assumed because more than 92 percent of businesses file taxes as individuals (e.g., sole proprietorship, partnerships and S-Corps.), and therefore pay personal income taxes rather than corporate income taxes. *Measurement in the Business Tax Index: state's top personal income tax rate.*¹

State Rankings of Top Personal Income Tax Rates

Rank	State	Top PIT Rate	Rank	State	Top PIT Rate
1t	Alaska	0.000	26	Iowa	5.837
1t	Florida	0.000	27	Ohio	5.925
1t	Nevada	0.000	28	Rhode Island	5.990
1t	New Hampshire	0.000	29t	Georgia	6.000
1t	South Dakota	0.000	29t	Kentucky	6.000
1t	Tennessee	0.000	29t	Missouri	6.000
1t	Texas	0.000	32	Kansas	6.450
1t	Washington	0.000	33t	Connecticut	6.500
1t	Wyoming	0.000	33t	West Virginia	6.500
10	Pennsylvania	3.070	35	Nebraska	6.840
11	Alabama	3.250	36	Montana	6.900
12	Indiana	3.400	37	Delaware	6.950
13	Louisiana	3.900	38t	Arkansas	7.000
14	Michigan	4.350	38t	South Carolina	7.000
15	Arizona	4.540	40t	North Carolina	7.750
16	Colorado	4.630	40t	Wisconsin	7.750
17	North Dakota	4.860	42	Idaho	7.800
18	New Mexico	4.900	43	Minnesota	7.850
19t	Illinois	5.000	44t	Dist. of Columbia	8.500
19t	Mississippi	5.000	44t	Maine	8.500
19t	Utah	5.000	46	Vermont	8.950
22	Massachusetts	5.300	47t	New Jersey	8.970
23t	Maryland	5.500	47t	New York	8.970
23t	Oklahoma	5.500	49	California	10.300
25	Virginia	5.750	50t	Hawaii	11.000
			50t	Oregon	11.000

¹ Data Source: CCH Incorporated, *2011 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, Tax Foundation, and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.

Individual Capital Gains Tax: One of the biggest obstacles that start-ups or expanding businesses face is access to capital. State capital gains taxes, therefore, affect the economy by directly impacting the rate of return on investment and entrepreneurship. Indeed, capital gains taxes are direct levies on risk taking, or the sources of growth in the economy. High capital gains taxes restrict access to capital, and help to restrain or redirect risk taking. *Measurement in the Business Tax Index: state's top capital gains tax rate on individuals.*²

State Rankings of Top Capital Gains Tax Rates

Rank	State	Ind CG Rate	Rank	State	Ind CG Rate
1t	Alaska	0.000	26t	Maryland	5.500
1t	Florida	0.000	26t	Oklahoma	5.500
1t	Nevada	0.000	28	Virginia	5.750
1t	New Hampshire	0.000	29	Ohio	5.925
1t	South Dakota	0.000	30	Rhode Island	5.990
1t	Tennessee	0.000	31t	Georgia	6.000
1t	Texas	0.000	31t	Kentucky	6.000
1t	Washington	0.000	31t	Missouri	6.000
1t	Wyoming	0.000	34	Kansas	6.450
10	New Mexico	2.450	35t	Connecticut	6.500
11	Pennsylvania	3.070	35t	West Virginia	6.500
12	Wisconsin	3.100	37	Nebraska	6.840
13	Indiana	3.400	38	Montana	6.900
14	South Carolina	3.920	39	Delaware	6.950
15	Alabama	4.250	40	Hawaii	7.250
16	Michigan	4.350	41	Iowa	7.633
17	Arizona	4.540	42	North Carolina	7.750
18	Colorado	4.630	43	Idaho	7.800
19	North Dakota	4.860	44	Minnesota	7.850
20	Arkansas	4.900	45t	Dist. of Columbia	8.500
21t	Illinois	5.000	45t	Maine	8.500
21t	Mississippi	5.000	47	Vermont	8.950
21t	Utah	5.000	48t	New Jersey	8.970
24	Louisiana	5.100	48t	New York	8.970
25	Massachusetts	5.300	50	California	10.300
			51	Oregon	11.000

² Data Source: CCH Incorporated, *2011 State Tax Handbook*, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

Corporate Income Tax: State corporate income tax rates similarly affect a broad range of business decisions — most clearly decisions relating to investment and location – and obviously make a difference in the bottom line returns of corporations. *Measurement in the Business Tax Index: state’s top corporate income tax rate.*³

State Rankings of Top Corporate Income Tax Rates

Rank	State	CIT Rate	Rank	State	CIT Rate
1t	Nevada	0.000	26	Arizona	6.968
1t	Ohio	0.000	27	Kansas	7.000
1t	South Dakota	0.000	28t	Idaho	7.600
1t	Texas	0.000	28t	New Mexico	7.600
1t	Washington	0.000	28t	Oregon	7.600
1t	Wyoming	0.000	31	Nebraska	7.810
7	Alabama	4.225	32	Wisconsin	7.900
8	Colorado	4.630	33t	Connecticut	8.250
9t	Mississippi	5.000	33t	Maryland	8.250
9t	South Carolina	5.000	35	Massachusetts	8.250
9t	Utah	5.000	36	New York	8.307
12	Missouri	5.156	37t	Indiana	8.500
13	Louisiana	5.200	37t	New Hampshire	8.500
14	Florida	5.500	37t	Vermont	8.500
15t	Georgia	6.000	37t	West Virginia	8.500
15t	Kentucky	6.000	41	Delaware	8.700
15t	Oklahoma	6.000	42	California	8.840
15t	Virginia	6.000	43	Maine	8.930
19	Michigan	6.040	44t	New Jersey	9.000
20t	Hawaii	6.400	44t	Rhode Island	9.000
20t	North Dakota	6.400	46	Alaska	9.400
22t	Arkansas	6.500	47	Illinois	9.500
22t	Tennessee	6.500	48	Minnesota	9.800
24	Montana	6.750	49	Iowa	9.900
25	North Carolina	6.900	50	Dist. of Columbia	9.975
			51	Pennsylvania	9.990

³ Data Source: CCH Incorporated, *2011 State Tax Handbook*, the Federation of Tax Administrators, Tax Foundation, and state specific sources. Note: Corporate income tax rates reflect deductibility of federal income taxes in certain states.

Corporate Capital Gains Tax: Again, access to capital is an enormous obstacle for businesses, and state capital gains taxes affect the economy by directly reducing the rate of return on investment and entrepreneurship. High capital gains taxes – including on corporate capital gains – restrict access to capital, and help to restrain or redirect risk taking. *Measurement in the Business Tax Index: state’s top capital gains tax rate on corporations.*⁴

State Rankings of Top Corporate Capital Gains Tax Rates

Rank	State	Corp CG Rate	Rank	State	Corp CG Rate
1t	Nevada	0.000	26	North Carolina	6.900
1t	Ohio	0.000	27	Arizona	6.968
1t	South Dakota	0.000	28	Kansas	7.000
1t	Texas	0.000	29t	Idaho	7.600
1t	Washington	0.000	29t	New Mexico	7.600
1t	Wyoming	0.000	29t	Oregon	7.600
7	Hawaii	4.000	32	Nebraska	7.810
8	Alabama	4.225	33	Wisconsin	7.900
9	Alaska	4.500	34t	Connecticut	8.250
10	Colorado	4.630	34t	Maryland	8.250
11t	Mississippi	5.000	34t	Massachusetts	8.250
11t	South Carolina	5.000	37	New York	8.307
11t	Utah	5.000	38t	Indiana	8.500
14	Missouri	5.156	38t	New Hampshire	8.500
15	Louisiana	5.200	38t	Vermont	8.500
16	Florida	5.500	38t	West Virginia	8.500
17t	Georgia	6.000	42	Delaware	8.700
17t	Kentucky	6.000	43	California	8.840
17t	Oklahoma	6.000	44	Maine	8.930
17t	Virginia	6.000	45t	New Jersey	9.000
21	Michigan	6.040	45t	Rhode Island	9.000
22	North Dakota	6.400	47	Illinois	9.500
23t	Arkansas	6.500	48	Minnesota	9.800
23t	Tennessee	6.500	49	Iowa	9.900
25	Montana	6.750	50	Dist. of Columbia	9.975
			51	Pennsylvania	9.990

⁴ Data Source: CCH Incorporated, *2011 State Tax Handbook*, the Federation of Tax Administrators, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

Additional Income Tax on S-Corporations: Subchapter S-Corporations let certain businesses adopt the benefits of a corporation, while allowing income to pass through to be taxed at the individual level. Most states recognize S Corporations, but a few either tax such businesses like other corporations or impose some kind of added tax. Such an additional income tax, again, raises costs, restrains investment, and hurts the state's competitiveness. *Measurement in the Business Tax Index: additional income tax imposed on S-Corporations beyond the top personal income tax rate.*⁵

Individual Alternative Minimum Tax: The individual alternative minimum tax (AMT) imposes a minimum tax rate that must be paid by individuals, regardless the tax credits or deductions taken. The AMT diminishes the effectiveness of potentially positive, pro-growth tax relief measures, while also raising the costs of tax compliance. *Measurement in the Business Tax Index: state individual alternative minimum tax (states imposing an individual AMT receive a score of "1" and states that do not receive a score of "0").*⁶

Corporate Alternative Minimum Tax: The corporate alternative minimum tax (AMT) imposes a minimum tax rate that must be paid by corporations, regardless of the available tax credits or deductions taken. Again, the AMT diminishes the effectiveness of potentially positive, pro-growth tax relief measures, and hikes compliance costs, in particular by forcing firms to effectively calculate their taxes under two tax codes. *Measurement in the Business Tax Index: state corporate alternative minimum tax (states imposing an individual AMT receive a score of "1" and states that do not receive a score of "0").*⁷

Indexing Personal Income Tax Rates: Indexing income tax rates for inflation is a positive tax measure, which ensures that inflation does not push individuals into higher tax brackets. Without such indexation, one can be pushed into a higher tax bracket without any increases in real income. *Measurement in the Business Tax Index: state indexing of personal income tax rates (states indexing their personal income tax rates receive a score of "0" and states that do not receive a score of "1").*⁸

⁵ Data Source: CCH Incorporated, *2011 State Tax Handbook*, and state specific sources.

⁶ Data Source: CCH Incorporated, *2011 State Tax Handbook*, and state specific sources.

⁷ Data Source: CCH Incorporated, *2011 State Tax Handbook*.

⁸ Data Source: The Federation of Tax Administrators.

Property Taxes: Property taxes influence decisions as to where businesses, entrepreneurs and employees choose to locate, as well as decisions relating to investments in business facilities and homes. *Measurement in the Business Tax Index: state and local property taxes (property taxes as a share of personal income).*⁹

State Rankings of State and Local Property Taxes

(Property Taxes as a Share of Personal Income)

Rank	State	Property Taxes	Rank	State	Property Taxes
1	Alabama	1.46	26	Virginia	3.08
2	Arkansas	1.58	27	Oregon	3.09
3	Oklahoma	1.61	28	Pennsylvania	3.11
4	New Mexico	1.69	29	Indiana	3.14
5	Delaware	1.71	30	Ohio	3.28
6	Louisiana	1.77	31	California	3.29
7	Kentucky	2.03	32	Iowa	3.31
8	Tennessee	2.15	33	Kansas	3.39
9	West Virginia	2.16	34	Massachusetts	3.50
10	Hawaii	2.31	35	Montana	3.51
11	Idaho	2.34	36	Alaska	3.53
12	North Carolina	2.41	37	Nebraska	3.56
13	Maryland	2.43	38	Texas	3.65
14	Missouri	2.53	39	Illinois	3.90
15	Utah	2.54	40	Michigan	4.04
16	Mississippi	2.57	41	New York	4.11
17	South Dakota	2.76	42	Wisconsin	4.15
18	Washington	2.78	43	Florida	4.20
19t	Colorado	2.89	44	Connecticut	4.23
19t	North Dakota	2.89	45	Dist. of Columbia	4.42
21	South Carolina	2.94	46	Maine	4.49
22	Minnesota	2.95	47	Rhode Island	4.75
23t	Arizona	3.00	48	Wyoming	4.87
23t	Nevada	3.00	49	Vermont	4.90
25	Georgia	3.02	50	New Jersey	5.09
			51	New Hampshire	5.33

⁹ 2007-08 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

Sales, Gross Receipts and Excise Taxes: State and local sales, gross receipts and excise (including tobacco, alcohol and insurance) taxes impact the economic decisions of individuals and families, as well as various businesses. High consumption-based taxes can redirect consumer purchases, and, especially if combined with other levies like income and property taxes, can serve as real disincentives to productive economic activity. In addition, gross receipts taxes present problems because, unlike other consumption-based levies, they are largely hidden from the view of consumers, and therefore, are easier to increase. *Measurement in the Business Tax Index: state and local sales, gross receipts and excise taxes (sales, gross receipts and excise taxes [less revenues from motor fuel taxes, since gas and diesel tax rates are singled out in the Index] as a share of personal income).*¹⁰

State Rankings of State and Local Sales, Gross Receipts and Excise Taxes

(Sales, Gross Receipts and Excise Taxes as a Share of Personal Income)

Rank	State	SGRE Taxes	Rank	State	SGRE Taxes
1	Oregon	0.49	26	Vermont	3.23
2	Montana	1.03	27	Illinois	3.25
3	Delaware	1.06	28	North Dakota	3.27
4	New Hampshire	1.14	29	Oklahoma	3.32
5	Massachusetts	1.67	30	Kansas	3.36
6	Alaska	1.74	31	Kentucky	3.39
7	Maryland	2.20	32t	Georgia	3.44
8	Virginia	2.23	32t	West Virginia	3.44
9	Wisconsin	2.68	34	Indiana	3.46
10	Connecticut	2.70	35	Dist. of Columbia	3.48
11	New Jersey	2.71	36	New York	3.51
12	Pennsylvania	2.76	37	Utah	3.67
13	South Carolina	2.77	38	Alabama	3.78
14	Colorado	2.90	39	South Dakota	3.96
15	Rhode Island	2.92	40	Texas	4.07
16t	Iowa	2.93	41	Mississippi	4.34
16t	North Carolina	2.93	42	Florida	4.35
18	Missouri	3.02	43	Arizona	4.65
19	Idaho	3.04	44	Tennessee	4.66
20t	Maine	3.08	45	Arkansas	4.72
20t	Ohio	3.08	46	New Mexico	5.02
22	California	3.12	47	Wyoming	5.03
23t	Minnesota	3.14	48	Nevada	5.14
23t	Nebraska	3.14	49	Louisiana	5.54
25	Michigan	3.21	50	Washington	5.96
			51	Hawaii	6.09

¹⁰ 2007-08 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

Unemployment Tax Rates: The unemployment tax on wages is another burden on entrepreneurs and business. High state unemployment tax rates increase the relative cost of labor versus capital, and provide incentives for labor-intensive businesses to flee from high-tax states to low-tax states. *Measurement in the Business Tax Index: unemployment tax rate is adjusted as follows: maximum state tax rate applied to state unemployment tax wage base, with that amount as a share of the state average wage.*¹¹

State Rankings of Adjusted Unemployment Taxes

(Maximum State Tax Rate Applied to State Wage Base and Then Taken as a Share of State Average Pay)

Rank	State	Unemp. Tax	Rank	State	Unemp. Tax
1	California	0.88	26	Arkansas	2.39
2	Dist. of Columbia	0.89	27	Tennessee	2.41
3	Florida	0.96	28	Vermont	2.45
4	Arizona	1.01	29	Pennsylvania	2.58
5	Virginia	1.07	30	West Virginia	2.60
6	Georgia	1.11	31	South Dakota	2.81
7	Colorado	1.17	32	Oklahoma	2.86
8	Louisiana	1.30	33	New Mexico	3.04
9	Indiana	1.39	34	Wisconsin	3.17
10	Alabama	1.44	35	New Jersey	3.20
11	New York	1.49	36	Missouri	3.23
12	Kansas	1.54	37	Massachusetts	3.26
13	South Carolina	1.65	38	North Carolina	3.42
14	Delaware	1.82	39	Nevada	3.56
15	Texas	1.88	40	Alaska	3.84
16	New Hampshire	1.92	41	Oregon	4.10
17t	Connecticut	2.00	42	Rhode Island	4.20
17t	Illinois	2.00	43	Hawaii	4.32
19	Ohio	2.05	44	Montana	4.59
20	Nebraska	2.09	45	Washington	4.70
21	Kentucky	2.14	46	Wyoming	5.59
22	Michigan	2.16	47	Idaho	5.97
23	Maine	2.24	48	Iowa	6.01
24	Mississippi	2.25	49	Minnesota	6.51
25	Maryland	2.32	50	Utah	6.71
			51	North Dakota	7.08

¹¹ Data Source: U.S. Bureau of Labor Statistics.

Death Taxes: The federal government levies a death tax, but so do various states. Death taxes have several problems. In terms of fairness, individuals pay a staggering array of taxes, including on business earnings, over a lifetime, but then are socked with another tax on the total assets at death. High state death taxes offer incentives to move investment and business ventures to less taxing climates; foster wasteful expenditures on tax avoidance, estate planning and insurance; and force many businesses to be sold, borrowed against or closed down. *Measurement in the Business Tax Index: state death taxes (states levying estate or inheritance taxes receive a score of “3” and states that do not receive a score of “0”).*¹²

Tax Limitation States: Requiring supermajority votes from elected officials and/or approval from voters in order to increase or impose taxes, serve as checks on the growth of taxes and government in general. According to Americans for Tax Reform, both taxes and spending do in fact grow more slowly in tax limitation states, and economies expand faster in such states as well. *Measurement in the Business Tax Index: tax limitation status (states without some form of tax limitation check receive a score of “1,” and states with some kind of tax limitation check receive a score of “0”).*¹³

Internet Taxes: The Internet serves as a tremendous boost to economic growth and a great expansion of economic opportunity. For small businesses, the Internet allows for greater access to information and markets. Indeed, the Internet gives smaller enterprises access to global markets that they might not have had in the past. Unfortunately, some states have chosen to impose sales taxes on Internet access. *Measurement in the Business Tax Index: Internet access tax (states without such a sales access tax score “0,” and states with such taxes score “1”).*¹⁴

“Amazon” Taxes: As defined by the Tax Foundation, “Amazon” taxes, “nicknamed after their most visible target, require retailers that have contracts with ‘affiliates’—independent persons within the state who post a link to an out-of-state business on their website and get a share of revenues from the out-of-state business—to collect the state’s sales tax.” This is an added cost and tax on a host of entrepreneurs and small businesses operating online, and has resulted in lost business as “affiliate” programs have been ended in certain states with such levies. *Measurement in the Business Tax Index: “Amazon” tax (states without such a sales tax score “0,” and states with such a tax score “1”).*¹⁵

¹² Data Source: CCH Incorporated, *2011 State Tax Handbook*, and “2011 State Death tax Chart,” McGuireWoods LLP, March 3, 2011.

¹³ Source: National Conference of State Legislatures at www.ncsl.org.

¹⁴ Steven Maguire and Nonna Noto, “Internet Taxation: Issues and Legislation in the 109th Congress,” CRS Report for Congress, February 2, 2006, and Daniel Castro, “The Case for Tax-Free Internet Access: A Primer on the Internet Tax Freedom Act,” The Information Technology & Innovation Foundation, June 2007.

¹⁵ Data Source: Joseph Henchman, “‘Amazon Tax’ Laws Signal Business Unfriendliness And Will Worsen Short-Term Budget Problems,” The Tax Foundation, March 2010.

Gas Tax: Every business is affected by the costs of operating motor vehicles -- from trucking firms to the home-based business paying for delivery services. State government directly impacts these costs through taxes on motor fuels. *Measurement in the Business Tax Index: state gas tax (dollars per gallon).*¹⁶

State Rankings of State Gas Taxes

(Dollars Per Gallon of Gasoline)

Rank	State	Gas Tax	Rank	State	Gas Tax
1	Alaska	0.080	26	South Dakota	0.240
2	Wyoming	0.140	27	Utah	0.245
3	New Jersey	0.145	28t	Idaho	0.250
4	South Carolina	0.168	28t	Kansas	0.250
5	Oklahoma	0.170	28t	Vermont	0.250
6	Missouri	0.173	31	Minnesota	0.272
7t	Mississippi	0.188	32	Nebraska	0.273
7t	New Mexico	0.188	33	Montana	0.278
9	Arizona	0.190	34	Ohio	0.280
10	New Hampshire	0.196	35t	Maine	0.310
11	Virginia	0.197	35t	Oregon	0.310
12t	Louisiana	0.200	37	West Virginia	0.322
12t	Texas	0.200	38	Pennsylvania	0.323
14	Georgia	0.208	39	North Carolina	0.328
15	Alabama	0.209	40	Wisconsin	0.329
16	Tennessee	0.214	41	Rhode Island	0.330
17	Arkansas	0.218	42	Nevada	0.331
18t	Colorado	0.220	43	Florida	0.344
18t	Iowa	0.220	44	Indiana	0.372
20	Kentucky	0.225	45	Washington	0.375
21t	Delaware	0.230	46	Michigan	0.377
21t	North Dakota	0.230	47	Illinois	0.428
23t	Dist. of Columbia	0.235	48	Connecticut	0.452
23t	Maryland	0.235	49	Hawaii	0.458
23t	Massachusetts	0.235	50	New York	0.472
			51	California	0.477

¹⁶ Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," January 1, 2011, American Petroleum Institute.

Diesel Tax: Again, every business is affected by the costs of operating motor vehicles, and state government directly impacts these costs through taxes on motor fuels. *Measurement in the Business Tax Index: state diesel tax (dollars per gallon).*¹⁷

State Rankings of State Diesel Taxes

(Dollars Per Gallon of Diesel Fuel)

Rank	State	Diesel Tax	Rank	State	Diesel Tax
1	Alaska	0.080	26	Maryland	0.243
2t	Oklahoma	0.140	27	Utah	0.245
2t	Wyoming	0.140	28	Idaho	0.250
4	South Carolina	0.168	29	Nebraska	0.267
5	Missouri	0.173	30	Kansas	0.270
6	New Jersey	0.175	31	Minnesota	0.276
7	Tennessee	0.184	32	Ohio	0.280
8	Mississippi	0.188	33t	Montana	0.286
9	Arizona	0.190	33t	Nevada	0.286
10	Kentucky	0.195	35	Vermont	0.290
11	New Hampshire	0.196	36	Florida	0.298
12	Virginia	0.198	37	Oregon	0.303
13t	Louisiana	0.200	38	West Virginia	0.321
13t	Texas	0.200	39	Maine	0.322
15	Colorado	0.205	40	North Carolina	0.328
16	Georgia	0.206	41	Wisconsin	0.329
17	Alabama	0.219	42	Rhode Island	0.330
18	Delaware	0.220	43	Michigan	0.348
19t	Arkansas	0.228	44	Washington	0.375
19t	New Mexico	0.228	45	Pennsylvania	0.392
21	North Dakota	0.230	46	Connecticut	0.396
22t	Dist. of Columbia	0.235	47	New York	0.455
22t	Iowa	0.235	48	Illinois	0.456
22t	Massachusetts	0.235	49	Indiana	0.461
25	South Dakota	0.240	50	Hawaii	0.471
			51	California	0.516

¹⁷ Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," January 1, 2011, American Petroleum Institute.

Wireless Tax: Wireless users – entrepreneurs, small businesses, families and individuals – face high and discriminatory taxes across much of the nation. Such taxes impede investment in wireless infrastructure, hit low and middle-income earners hard, and discourage deployment and adoption of broadband services. *Measurement in the Business Tax Index: wireless sales taxes (an index of wireless sales taxes, which is then adjusted to 10 percent of the index value).*¹⁸

State Rankings of Wireless Taxes

Rank	State	Wireless Tax	Rank	State	Wireless Tax
1	Oregon	0.018	26t	North Carolina	0.096
2	Nevada	0.021	26t	South Carolina	0.096
3	Idaho	0.022	28	Indiana	0.100
4t	Montana	0.061	29	Colorado	0.105
4t	West Virginia	0.061	30	Kentucky	0.106
6	Delaware	0.063	31	New Mexico	0.107
7	Louisiana	0.064	32t	California	0.108
8	Virginia	0.066	32t	North Dakota	0.108
9	Alaska	0.068	34	Oklahoma	0.109
10	Connecticut	0.071	35	Arkansas	0.112
11	Maine	0.073	36t	Dist. of Columbia	0.117
12	Michigan	0.074	36t	Tennessee	0.117
13	Alabama	0.075	38	Arizona	0.121
14t	Hawaii	0.079	39	South Dakota	0.122
14t	Massachusetts	0.079	40	Utah	0.123
16t	Iowa	0.080	41	Maryland	0.124
16t	Wyoming	0.080	42	Texas	0.126
18	Ohio	0.081	43	Kansas	0.135
19	New Hampshire	0.083	44	Pennsylvania	0.143
20	Wisconsin	0.084	45	Missouri	0.144
21	Vermont	0.086	46	Rhode Island	0.148
22	Georgia	0.087	47	Illinois	0.161
23	New Jersey	0.090	48	Florida	0.168
24	Mississippi	0.092	49	New York	0.180
25	Minnesota	0.095	50	Washington	0.182
			51	Nebraska	0.189

¹⁸ Source: Scott Mackey, “A Growing Burden: Taxes and Fees on Wireless Services,” *State Tax Notes*, February 14, 2011.

Business Tax Index 2011: Details

Rank	State	Top PIT Rate	Ind CG Rate	Top CIT Rate	Corp CG Rate	S-Corp. Rate	Indiv. AMT	Corp. AMT	PIT Index	Prop Tax	SGRE Tax	Death Tax	Unemp. Tax	Tax Limit.	Internet Tax	AmazonTax	Gas Tax	Diesel Tax	Wireless Tax	BTI Score
1	South Dakota	0.000	0.000	0.000	0.000	0.000	0	0	0	2.76	3.96	0	2.81	0	0	0	0.240	0.240	0.122	11.132
2	Texas	0.000	0.000	0.000	0.000	0.000	0	0	0	3.65	4.07	0	1.88	1	1	0	0.200	0.200	0.126	12.126
3	Nevada	0.000	0.000	0.000	0.000	0.000	0	0	0	3.00	5.14	0	3.56	0	0	0	0.331	0.286	0.021	12.338
4	Wyoming	0.000	0.000	0.000	0.000	0.000	0	0	0	4.87	5.03	0	5.59	1	0	0	0.140	0.140	0.080	16.850
5	Washington	0.000	0.000	0.000	0.000	0.000	0	0	0	2.78	5.96	3	4.70	0	1	0	0.375	0.375	0.182	18.372
6	Florida	0.000	5.500	5.500	5.500	0.000	0	1	0	4.20	4.35	0	0.96	1	0	0	0.344	0.298	0.168	23.320
7	Alabama	3.250	4.250	4.225	4.225	0.000	0	0	1	1.46	3.78	0	1.44	1	0	0	0.209	0.219	0.075	25.133
8	Alaska	0.000	0.000	9.400	4.500	0.000	0	1	0	3.53	1.74	0	3.84	1	0	0	0.080	0.080	0.068	25.238
9	Ohio	5.925	5.925	0.000	0.000	0.000	0	0	0	3.28	3.08	3	2.05	1	1	0	0.280	0.280	0.081	25.901
10	Colorado	4.630	4.630	4.630	4.630	0.000	1	0	0	2.89	2.90	0	1.17	0	0	1	0.220	0.205	0.105	28.010
11	South Carolina	7.000	3.920	5.000	5.000	0.000	0	0	0	2.94	2.77	0	1.65	1	0	0	0.168	0.168	0.096	29.712
12	Mississippi	5.000	5.000	5.000	5.000	0.000	0	0	1	2.57	4.34	0	2.25	0	0	0	0.188	0.188	0.092	30.628
13	Oklahoma	5.500	5.500	6.000	6.000	0.000	0	0	1	1.61	3.67	0	2.86	0	0	0	0.170	0.140	0.109	32.209
14	Virginia	5.750	5.750	6.000	6.000	0.000	0	0	1	3.08	2.23	0	1.07	1	0	0	0.197	0.198	0.066	32.341
15	Missouri	6.000	6.000	5.156	5.156	0.000	0	0	1	2.53	3.02	0	3.23	0	0	0	0.173	0.173	0.144	32.582
16	Arizona	4.540	4.540	6.968	6.968	0.000	0	0	1	3.00	4.65	0	1.01	0	0	0	0.190	0.190	0.121	33.177
17	Tennessee	0.000	0.000	6.500	6.500	6.500	0	0	0	2.15	4.66	3	2.41	1	0	0	0.214	0.184	0.117	33.235
18	Georgia	6.000	6.000	6.000	6.000	0.000	0	0	1	3.02	3.44	0	1.11	1	0	0	0.208	0.206	0.087	34.071
19	Arkansas	7.000	4.900	6.500	6.500	0.000	0	0	0	1.58	4.72	0	2.39	0	0	0	0.218	0.228	0.112	34.148
20	Utah	5.000	5.000	5.000	5.000	0.000	0	0	0	2.54	3.67	0	6.71	1	0	0	0.245	0.245	0.123	34.533
21	Louisiana	3.900	5.100	5.200	5.200	5.200	0	0	0	1.77	5.54	0	1.30	0	0	0	0.200	0.200	0.064	34.674
22	New Mexico	4.900	2.450	7.600	7.600	0.000	0	0	1	1.69	5.02	0	3.04	1	1	0	0.188	0.228	0.107	35.823
23	New Hampshire	0.000	0.000	8.500	8.500	8.500	0	0	0	5.33	1.14	0	1.92	1	1	0	0.196	0.196	0.083	36.365
24	Indiana	3.400	3.400	8.500	8.500	0.000	0	0	0	3.14	3.46	3	1.39	1	0	0	0.372	0.461	0.100	36.723
25	Kentucky	6.000	6.000	6.000	6.000	0.750	0	0	1	2.03	3.39	3	2.14	0	0	0	0.225	0.195	0.106	36.836
26	Kansas	6.450	6.450	7.000	7.000	0.000	0	0	1	3.39	3.36	0	1.54	1	0	0	0.250	0.270	0.135	37.845
27	Michigan	4.350	4.350	6.040	6.040	6.040	0	0	0	4.04	3.21	0	2.16	1	0	0	0.377	0.348	0.074	38.029
28	Montana	6.900	6.900	6.750	6.750	0.000	0	0	0	3.51	1.03	0	4.59	1	0	0	0.278	0.286	0.061	38.055
29	North Dakota	4.860	4.860	6.400	6.400	0.000	0	0	0	2.89	3.27	0	7.08	1	1	0	0.230	0.230	0.108	38.328
30	Pennsylvania	3.070	3.070	9.990	9.990	0.000	0	0	0	3.11	2.76	3	2.58	1	0	0	0.323	0.392	0.143	39.428
31	Maryland	5.500	5.500	8.250	8.250	0.000	0	0	1	2.43	2.20	3	2.32	1	0	0	0.235	0.243	0.124	40.052
32	Wisconsin	7.750	3.100	7.900	7.900	0.000	1	0	0	4.15	2.68	0	3.17	1	1	0	0.329	0.329	0.084	40.392
33	Delaware	6.950	6.950	8.700	8.700	0.000	0	0	1	1.71	1.06	3	1.82	0	0	0	0.230	0.220	0.063	40.403
34	West Virginia	6.500	6.500	8.500	8.500	0.000	0	0	1	2.16	3.44	0	2.60	1	0	0	0.322	0.321	0.061	40.904
35	Idaho	7.800	7.800	7.600	7.600	0.000	0	0	0	2.34	3.04	0	5.97	1	0	0	0.250	0.250	0.022	43.672
36	Massachusetts	5.300	5.300	8.250	8.250	4.500	0	0	0	3.50	1.67	3	3.26	1	0	0	0.235	0.235	0.079	44.579
37	Illinois	5.000	5.000	9.500	9.500	1.500	0	0	0	3.90	3.25	3	2.00	1	0	0	0.428	0.456	0.161	44.695
38	North Carolina	7.750	7.750	6.900	6.900	0.000	0	0	1	2.41	2.93	3	3.42	1	0	1	0.328	0.328	0.096	44.812
39	Nebraska	6.840	6.840	7.810	7.810	0.000	1	0	1	3.56	3.14	3	2.09	1	0	0	0.273	0.267	0.189	44.819
40	Connecticut	6.500	6.500	8.250	8.250	0.000	1	0	1	4.23	2.70	3	2.00	1	0	0	0.452	0.396	0.071	45.349
41	Oregon	11.000	11.000	7.600	7.600	0.000	0	0	1	3.09	0.49	0	4.10	0	0	0	0.310	0.303	0.018	46.511
42	Rhode Island	5.990	5.990	9.000	9.000	0.000	0	0	0	4.75	2.92	3	4.20	1	0	1	0.330	0.330	0.148	47.658
43	Hawaii	11.000	7.250	6.400	4.000	0.000	0	0	1	2.31	6.09	3	4.32	1	1	0	0.458	0.471	0.079	48.378
44	Vermont	8.950	8.950	8.500	8.500	0.000	0	0	0	4.90	3.23	3	2.45	1	0	0	0.250	0.290	0.086	50.106
45	California	10.300	10.300	8.840	8.840	1.500	1	1	0	3.29	3.12	0	0.88	0	0	0	0.477	0.516	0.108	50.171
46	Maine	8.500	8.500	8.930	8.930	0.000	1	1	0	4.49	3.08	3	2.24	1	0	0	0.310	0.322	0.073	51.375
47	Iowa	5.837	7.633	9.900	9.900	0.000	1	1	0	3.31	2.93	3	6.01	1	0	0	0.220	0.235	0.080	52.055
48	New York	8.970	8.970	8.307	8.307	0.000	1	1	1	4.11	3.51	3	1.49	1	0	1	0.472	0.455	0.180	52.771
49	New Jersey	8.970	8.970	9.000	9.000	0.000	0	1	1	5.09	2.71	3	3.20	1	0	0	0.145	0.175	0.090	53.350
50	Minnesota	7.850	7.850	9.800	9.800	0.000	1	1	0	2.95	3.14	3	6.51	1	0	0	0.272	0.276	0.095	54.543
51	Dist of Columbia	8.500	8.500	9.975	9.975	9.975	0	0	1	4.42	3.48	3	0.89	1	0	0	0.235	0.235	0.117	61.302