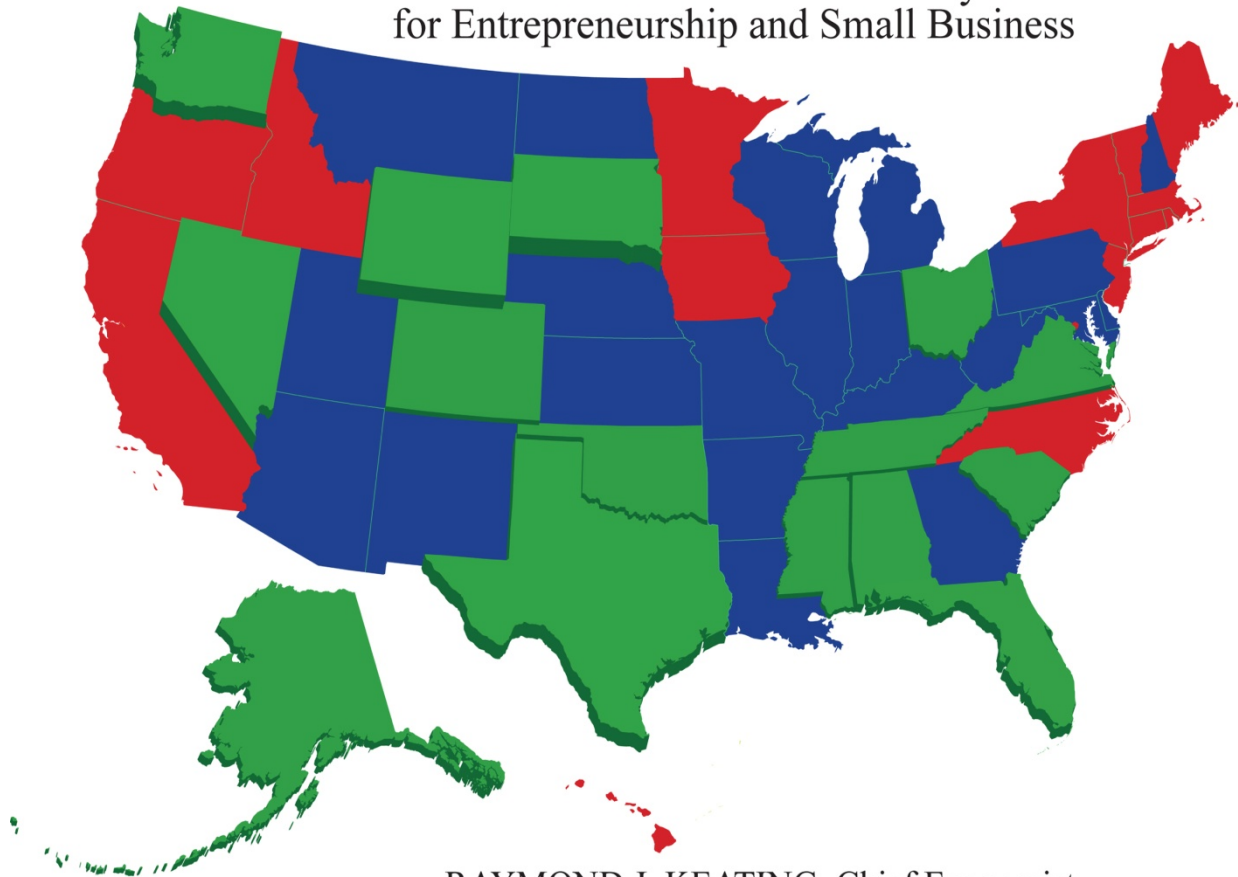


SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S

Business Tax Index 2010:

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



Business Tax Index 2010: *Best to Worst State Tax Systems for Entrepreneurship and Small Business*

When it comes to taxes these days, the major emphasis by our elected leaders seems to be on how levies can be raised due to declining revenues resulting from the deep recession.

However, while revenues have declined for most levels of government, this will prove a temporary phenomenon, as receipts will resume growth with the economy. The true problem has been, and continues to be, rapid spending growth, not a lack of revenues. So, the focus on hiking taxes misses the ultimate cause of today's budget woes.

This misguided focus on higher taxes fails to recognize the impact that taxes have on the economy. Most assuredly, taxes hit the bottom lines of and distort incentives for entrepreneurs, investors and small businesses.

Of course, 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 "Business Tax Index 2010" 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 16 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 16 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) gas tax, and 16) diesel tax.

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) Mississippi, 12) South Carolina, 13) Tennessee, 14) Oklahoma, and 15) Virginia.

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

Following are the “Business Tax Index” scores and rankings, followed by brief descriptions of why each factor is included in the Index, and how it is measured.

Business Tax Index 2010: State Rankings

<i>Rank</i>	<i>State</i>	<i>Tax Index</i>	<i>Rank</i>	<i>State</i>	<i>Tax Index</i>
1	South Dakota	10.940	26	Pennsylvania	36.965
2	Texas	11.420	27	North Dakota	37.590
3	Nevada	12.257	28	Montana	37.724
4	Wyoming	14.630	29	Michigan	37.814
5	Washington	15.570	30	Delaware	38.120
6	Florida	23.010	31	Maryland	38.588
7	Alabama	24.808	32	Kansas	38.950
8	Alaska	25.160	33	Wisconsin	39.578
9	Ohio	25.520	34	New Hampshire	40.402
10	Colorado	26.855	35	West Virginia	40.823
11	Mississippi	29.566	36	Nebraska	41.934
12	South Carolina	29.646	37	North Carolina	42.473
13	Tennessee	30.858	38	Connecticut	42.627
14	Oklahoma	31.120	39	Idaho	42.710
15	Virginia	32.393	40	Hawaii	42.936
16	Missouri	32.448	41	Rhode Island	44.110
17	Arizona	33.286	42	Massachusetts	44.640
18	Illinois	33.661	43	Oregon	45.833
19	Indiana	33.805	44	Vermont	47.317
20	Arkansas	33.956	45	Iowa	48.905
21	Georgia	34.085	46	Maine	49.062
22	Kentucky	34.650	47	New York	49.442
23	Utah	35.330	48	California	50.126
24	Louisiana	35.390	49	Minnesota	51.844
25	New Mexico	35.846	50	New Jersey	54.970
			51	Dist. of Columbia	58.805

Description of Factors

• **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 90 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	26t	Georgia	6.000
1t	Florida	0.000	26t	Kentucky	6.000
1t	Nevada	0.000	26t	Missouri	6.000
1t	New Hampshire	0.000	26t	Rhode Island	6.000
1t	South Dakota	0.000	30	Ohio	6.240
1t	Tennessee	0.000	31	Maryland	6.250
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	Illinois	3.000	35	Nebraska	6.840
11	Pennsylvania	3.070	36	Montana	6.900
12	Alabama	3.250	37	Delaware	6.950
13	Indiana	3.400	38t	Arkansas	7.000
14	Louisiana	3.900	38t	South Carolina	7.000
15	Michigan	4.350	40	Wisconsin	7.750
16	Arizona	4.540	41	Idaho	7.800
17	Colorado	4.630	42	Minnesota	7.850
18	North Dakota	4.860	43	North Carolina	7.983
19	New Mexico	4.900	44t	Dist. of Columbia	8.500
20t	Mississippi	5.000	44t	Maine	8.500
20t	Utah	5.000	46	Vermont	8.950
22	Massachusetts	5.300	47	New York	8.970
23	Oklahoma	5.500	48	California	10.550
24	Virginia	5.750	49	New Jersey	10.750
25	Iowa	5.837	50t	Hawaii	11.000
			50t	Oregon	11.000

¹ Data Source: CCH Incorporated, *2010 State Tax Handbook*, the Federal of Tax Administrators, 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	Top IndCG Rate	Rank	State	Top IndCG Rate
1t	Alaska	0.000	26	Oklahoma	5.500
1t	Florida	0.000	27	Virginia	5.750
1t	Nevada	0.000	28t	Georgia	6.000
1t	South Dakota	0.000	28t	Kentucky	6.000
1t	Tennessee	0.000	28t	Missouri	6.000
1t	Texas	0.000	28t	Rhode Island	6.000
1t	Washington	0.000	32	Ohio	6.240
1t	Wyoming	0.000	33	Maryland	6.250
9	New Mexico	2.450	34	Kansas	6.450
10	Illinois	3.000	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	Idaho	7.800
18	Colorado	4.630	43	Minnesota	7.850
19	North Dakota	4.860	44	North Carolina	7.983
20	Arkansas	4.900	45t	Dist. of Columbia	8.500
21t	Mississippi	5.000	45t	Maine	8.500
21t	New Hampshire	5.000	47	Vermont	8.950
21t	Utah	5.000	48	New York	8.970
24	Louisiana	5.100	49	California	10.550
25	Massachusetts	5.300	50	New Jersey	10.750
			51	Oregon	11.000

² Data Source: CCH Incorporated, *2010 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	Top CIT Rate	Rank	State	Top CIT Rate
1t	Nevada	0.000	26	Kansas	7.050
1t	Ohio	0.000	27	North Carolina	7.107
1t	South Dakota	0.000	28	Illinois	7.300
1t	Texas	0.000	29t	Idaho	7.600
1t	Washington	0.000	29t	New Mexico	7.600
1t	Wyoming	0.000	31	Nebraska	7.810
7	Alabama	4.225	32t	Oregon	7.900
8	Colorado	4.630	32t	Wisconsin	7.900
9t	Mississippi	5.000	34t	Connecticut	8.250
9t	South Carolina	5.000	34t	Maryland	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	44	Rhode Island	9.000
20t	Hawaii	6.400	45	New Jersey	9.360
20t	North Dakota	6.400	46	Alaska	9.400
22t	Arkansas	6.500	47	Massachusetts	9.500
22t	Tennessee	6.500	48	Minnesota	9.800
24	Montana	6.750	49	Iowa	9.900
25	Arizona	6.968	50	Dist. of Columbia	9.975
			51	Pennsylvania	9.990

³ Data Source: CCH Incorporated, *2010 State Tax Handbook*, the Federation of Tax Administrators, 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	Top CorpCG Rate	Rank	State	Top CorpCG Rate
1t	Nevada	0.000	26	Arizona	6.968
1t	Ohio	0.000	27	Kansas	7.050
1t	South Dakota	0.000	28	North Carolina	7.107
1t	Texas	0.000	29	Illinois	7.300
1t	Washington	0.000	30t	Idaho	7.600
1t	Wyoming	0.000	30t	New Mexico	7.600
7	Hawaii	4.000	32	Nebraska	7.810
8	Alabama	4.225	33	Oregon	7.900
9	Alaska	4.500	34	Wisconsin	7.900
10	Colorado	4.630	35t	Connecticut	8.250
11t	Mississippi	5.000	35t	Maryland	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	45	Rhode Island	9.000
21	Michigan	6.040	46	New Jersey	9.360
22	North Dakota	6.400	47	Massachusetts	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, *2010 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, *2010 State Tax Handbook*, and state specific sources.

⁶ Data Source: CCH Incorporated, *2010 State Tax Handbook*, and state specific sources.

⁷ Data Source: CCH Incorporated, *2010 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	Prop Taxes	Rank	State	Prop Taxes
1	Alabama	1.40	26	Oregon	3.01
2	Oklahoma	1.53	27	North Dakota	3.04
3	Arkansas	1.58	28	Virginia	3.12
4	Delaware	1.65	29	South Carolina	3.13
5	New Mexico	1.67	30	Pennsylvania	3.21
6	Louisiana	1.70	31	Ohio	3.38
7	Kentucky	1.98	32	Kansas	3.41
8	West Virginia	2.14	33	Iowa	3.47
9	Tennessee	2.18	34t	Massachusetts	3.48
10	Hawaii	2.27	34t	Montana	3.48
11	Idaho	2.34	36	Nebraska	3.70
12	North Carolina	2.40	37	Alaska	3.80
13	Maryland	2.51	38	Florida	3.84
14	Utah	2.56	39	Texas	3.87
15	Mississippi	2.65	40	Illinois	3.88
16	California	2.74	41	Dist. of Columbia	4.13
17t	Missouri	2.77	42	Wisconsin	4.14
17t	Washington	2.77	43t	Connecticut	4.20
19	Nevada	2.82	43t	Michigan	4.20
20	Colorado	2.84	45	New York	4.23
21	Minnesota	2.87	46	Maine	4.60
22	South Dakota	2.88	47	Rhode Island	4.68
23	Indiana	2.92	48	Wyoming	4.86
24t	Arizona	2.98	49	New Jersey	5.02
24t	Georgia	2.98	50	Vermont	5.29
			51	New Hampshire	5.33

⁹ 2006-07 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 re-direct 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 Tax	Rank	State	SGRE Tax
1	Oregon	0.51	26	Oklahoma	3.29
2	Delaware	1.01	27	Vermont	3.30
3	Montana	1.02	28	Indiana	3.31
4	New Hampshire	1.11	29	California	3.34
5	Alaska	1.64	30	North Dakota	3.37
6	Massachusetts	1.73	31	Kentucky	3.46
7	Maryland	2.14	32	Kansas	3.54
8	Connecticut	2.36	33t	Dist. of Columbia	3.55
9	Virginia	2.37	33t	New York	3.55
10t	Pennsylvania	2.66	35	Georgia	3.66
10t	Wisconsin	2.66	36	West Virginia	3.69
12	New Jersey	2.74	37	Alabama	3.85
13	Iowa	2.89	38	Utah	3.89
14	Rhode Island	2.95	39	Texas	3.99
15	Colorado	2.96	40	Wyoming	4.06
16t	Idaho	3.09	41	South Dakota	4.11
16t	North Carolina	3.09	42	Mississippi	4.47
18	Nebraska	3.10	43	Florida	4.65
19	Michigan	3.14	44	Tennessee	4.68
20	South Carolina	3.16	45	Arizona	5.05
21	Ohio	3.19	46	Arkansas	5.18
22	Illinois	3.22	47	New Mexico	5.40
23	Minnesota	3.23	48	Nevada	5.57
24	Missouri	3.24	49	Louisiana	5.68
25	Maine	3.27	50	Washington	6.01
			51	Hawaii	6.46

¹⁰ 2006-07 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	Unemploy. Tax	Rank	State	Unemploy. Tax
1	Dist. of Columbia	0.73	26	Ohio	1.91
2	California	0.80	27	Michigan	1.97
3	Arizona	0.86	28	Oklahoma	1.99
4	Florida	0.88	29	Kentucky	2.04
5	Indiana	0.99	30	Tennessee	2.10
6t	Louisiana	1.01	31	Pennsylvania	2.26
6t	Virginia	1.01	32	West Virginia	2.35
8	Georgia	1.03	33t	South Dakota	2.47
9t	Mississippi	1.07	33t	Wisconsin	2.47
9t	New Hampshire	1.07	35	New Jersey	2.67
11	South Carolina	1.10	36	Missouri	2.78
12	Colorado	1.11	37	New Mexico	2.81
13	Texas	1.16	38	Massachusetts	2.86
14	Alabama	1.18	39	North Carolina	3.20
15	New York	1.22	40	Nevada	3.25
16	Nebraska	1.28	41	Alaska	3.66
17	Vermont	1.29	42	Rhode Island	3.82
18	Maryland	1.46	43	Oregon	4.02
19	Kansas	1.48	44	Washington	4.04
20	Illinois	1.63	45	Montana	4.36
21	Hawaii	1.64	46	Wyoming	4.43
22	Connecticut	1.69	47	Iowa	4.82
23	Maine	1.70	48	Idaho	4.98
24	Delaware	1.71	49	Minnesota	5.90
25	Arkansas	1.85	50	North Dakota	6.20
			51	Utah	6.39

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

• **Death Taxes.** The federal government is phasing out the federal death tax. Some states are tied to the federal levy, and therefore are following the lead to end the estate tax (under current law, the federal estate tax will be eliminated in 2010, but it then reappears in 2011). However, other states have imposed additional estate, inheritance or gift taxes, or have de-linked from the federal levy. 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 “1” 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

¹² Data Source: CCH Incorporated, *2010 State Tax Handbook*, and “Estate Tax Study,” Connecticut Department of Revenue Services, February 1, 2008.

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.

• **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).*¹⁵

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	28	Vermont	0.247
4	South Carolina	0.168	29t	Idaho	0.250
5	Oklahoma	0.170	29t	Kansas	0.250
6	Missouri	0.173	29t	Oregon	0.250
7t	Mississippi	0.188	32	Minnesota	0.272
7t	New Mexico	0.188	33	Nebraska	0.277
9	Arizona	0.190	34	Montana	0.278
10t	New Hampshire	0.196	35	Ohio	0.280
10t	Virginia	0.196	36	North Carolina	0.302
12t	Louisiana	0.200	37	Maine	0.310
12t	Texas	0.200	38	West Virginia	0.322
14t	Alabama	0.209	39	Pennsylvania	0.323
14t	Georgia	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	0.348
20	Kentucky	0.225	45	Michigan	0.358
21t	Delaware	0.230	46	Washington	0.375
21t	North Dakota	0.230	47	Illinois	0.404
23t	Dist. of Columbia	0.235	48	Connecticut	0.426
23t	Maryland	0.235	49	New York	0.449
23t	Massachusetts	0.235	50	Hawaii	0.451
			51	California	0.486

¹⁵ Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," April 10, 2010, 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).*¹⁶

State Rankings of State Diesel Taxes

(Dollars Per Gallon of Diesel Fuel)

Rank	State	Diesel Tax	Rank	State	Diesel Tax
1	Alaska	0.080	26t	Maryland	0.243
2t	Oklahoma	0.140	26t	Oregon	0.243
2t	Wyoming	0.140	28	Utah	0.245
4	South Carolina	0.168	29	Idaho	0.250
5	Missouri	0.173	30	Kansas	0.270
6	New Jersey	0.175	31	Minnesota	0.272
7	Tennessee	0.184	32	Nebraska	0.277
8	Mississippi	0.188	33	Ohio	0.280
9	Arizona	0.190	34t	Montana	0.286
10	Kentucky	0.195	34t	Nevada	0.286
11	New Hampshire	0.196	36	Vermont	0.290
12	Virginia	0.197	37	Florida	0.296
13t	Louisiana	0.200	38	North Carolina	0.302
13t	Texas	0.200	39	West Virginia	0.321
15	Colorado	0.205	40	Maine	0.322
16	Georgia	0.206	41	Michigan	0.326
17	Alabama	0.219	42	Wisconsin	0.329
18	Delaware	0.220	43	Rhode Island	0.330
19t	Arkansas	0.228	44	Washington	0.375
19t	New Mexico	0.228	45	Pennsylvania	0.392
21	North Dakota	0.230	46	Illinois	0.427
22t	Dist. of Columbia	0.235	47	Indiana	0.437
22t	Iowa	0.235	48	New York	0.439
22t	Massachusetts	0.235	49	Connecticut	0.451
25	South Dakota	0.240	50	Hawaii	0.465
			51	California	0.480

¹⁶ Data Source: “Notes to State Motor Fuel Excise and Other Tax Rates,” April 10, 2010, American Petroleum Institute.

Business Tax Index 2010: Details

State	Top PIT	Top Ind CG	Top CIT	Top Cor CG	S-Corp	Indiv. AMT	Corp. AMT	PIT Index	Prop Tax	SGRE Tax	Death	Unemp. Tax	Tax Limit.	Internet Tax	Gas Tax	Diesel Tax	Tax Index
1 South Dakota	0.000	0.000	0.000	0.000	0.000	0	0	0	2.88	4.11	0	2.47	0	1	0.240	0.240	10.940
2 Texas	0.000	0.000	0.000	0.000	0.000	0	0	0	3.87	3.99	0	1.16	1	1	0.200	0.200	11.420
3 Nevada	0.000	0.000	0.000	0.000	0.000	0	0	0	2.82	5.57	0	3.25	0	0	0.331	0.286	12.257
4 Wyoming	0.000	0.000	0.000	0.000	0.000	0	0	0	4.86	4.06	0	4.43	1	0	0.140	0.140	14.630
5 Washington	0.000	0.000	0.000	0.000	0.000	0	0	0	2.77	6.01	1	4.04	0	1	0.375	0.375	15.570
6 Florida	0.000	0.000	5.500	5.500	0.000	0	1	0	3.84	4.65	0	0.88	1	0	0.344	0.296	23.010
7 Alabama	3.250	4.250	4.225	4.225	0.000	0	0	1	1.40	3.85	0	1.18	1	0	0.209	0.219	24.808
8 Alaska	0.000	0.000	9.400	4.500	0.000	0	1	0	3.80	1.64	0	3.66	1	0	0.080	0.080	25.160
9 Ohio	6.240	6.240	0.000	0.000	0.000	0	0	1	3.38	3.19	1	1.91	1	1	0.280	0.280	25.520
10 Colorado	4.630	4.630	4.630	4.630	0.000	1	0	0	2.84	2.96	0	1.11	0	0	0.220	0.205	26.855
11 Mississippi	5.000	5.000	5.000	5.000	0.000	0	0	1	2.65	4.47	0	1.07	0	0	0.188	0.188	29.566
12 South Carolina	7.000	3.920	5.000	5.000	0.000	0	0	0	3.13	3.16	0	1.10	1	0	0.168	0.168	29.646
13 Tennessee	0.000	0.000	6.500	6.500	6.500	0	0	0	2.18	4.68	1	2.10	1	0	0.214	0.184	30.858
14 Oklahoma	5.500	5.500	6.000	6.000	0.000	0	0	1	1.53	3.29	0	1.99	0	0	0.170	0.140	31.120
15 Virginia	5.750	5.750	6.000	6.000	0.000	0	0	1	3.12	2.37	0	1.01	1	0	0.196	0.197	32.393
16 Missouri	6.000	6.000	5.156	5.156	0.000	0	0	1	2.77	3.24	0	2.78	0	0	0.173	0.173	32.448
17 Arizona	4.540	4.540	6.968	6.968	0.000	0	0	1	2.98	5.05	0	0.86	0	0	0.190	0.190	33.286
18 Illinois	3.000	3.000	7.300	7.300	1.500	0	0	0	3.88	3.22	1	1.63	1	0	0.404	0.427	33.661
19 Indiana	3.400	3.400	8.500	8.500	0.000	0	0	0	2.92	3.31	1	0.99	1	0	0.348	0.437	33.805
20 Arkansas	7.000	4.900	6.500	6.500	0.000	0	0	0	1.58	5.18	0	1.85	0	0	0.218	0.228	33.956
21 Georgia	6.000	6.000	6.000	6.000	0.000	0	0	1	2.98	3.66	0	1.03	1	0	0.209	0.206	34.085
22 Kentucky	6.000	6.000	6.000	6.000	0.750	0	0	1	1.98	3.46	1	2.04	0	0	0.225	0.195	34.650
23 Utah	5.000	5.000	5.000	5.000	0.000	0	0	1	2.56	3.89	0	6.39	1	0	0.245	0.245	35.330
24 Louisiana	3.900	5.100	5.200	5.200	5.200	0	0	1	1.70	5.68	1	1.01	0	0	0.200	0.200	35.390
25 New Mexico	4.900	2.450	7.600	7.600	0.000	0	0	1	1.67	5.40	0	2.81	1	1	0.188	0.228	35.846
26 Pennsylvania	3.070	3.070	9.990	9.990	0.000	0	0	0	3.21	2.66	1	2.26	1	0	0.323	0.392	36.965
27 North Dakota	4.860	4.860	6.400	6.400	0.000	0	0	0	3.04	3.37	0	6.20	1	1	0.230	0.230	37.590
28 Montana	6.900	6.900	6.750	6.750	0.000	0	0	0	3.48	1.02	0	4.36	1	0	0.278	0.286	37.724
29 Michigan	4.350	4.350	6.040	6.040	6.040	0	0	0	4.20	3.14	0	1.97	1	0	0.358	0.326	37.814
30 Delaware	6.950	6.950	8.700	8.700	0.000	0	0	1	1.65	1.01	1	1.71	0	0	0.230	0.220	38.120
31 Maryland	6.250	6.250	8.250	8.250	0.000	0	0	1	2.51	2.14	1	1.46	1	0	0.235	0.243	38.588
32 Kansas	6.450	6.450	7.050	7.050	0.000	0	0	1	3.41	3.54	1	1.48	1	0	0.250	0.270	38.950
33 Wisconsin	7.750	3.100	7.900	7.900	0.000	1	0	0	4.14	2.66	0	2.47	1	1	0.329	0.329	39.578
34 New Hampshire	0.000	5.000	8.500	8.500	8.500	0	0	0	5.33	1.11	0	1.07	1	1	0.196	0.196	40.402
35 West Virginia	6.500	6.500	8.500	8.500	0.000	0	0	1	2.14	3.69	0	2.35	1	0	0.322	0.321	40.823
36 Nebraska	6.840	6.840	7.810	7.810	0.000	1	0	1	3.70	3.10	1	1.28	1	0	0.277	0.277	41.934
37 North Carolina	7.983	7.983	7.107	7.107	0.000	0	0	1	2.40	3.09	1	3.20	1	0	0.302	0.302	42.473
38 Connecticut	6.500	6.500	8.250	8.250	0.000	1	0	1	4.20	2.36	1	1.69	1	0	0.426	0.451	42.627
39 Idaho	7.800	7.800	7.600	7.600	0.000	0	0	0	2.34	3.09	0	4.98	1	0	0.250	0.250	42.710
40 Hawaii	11.000	7.250	6.400	4.000	0.000	0	0	1	2.27	6.46	0	1.64	1	1	0.451	0.465	42.936
41 Rhode Island	6.000	6.000	9.000	9.000	0.000	0	0	0	4.68	2.95	1	3.82	1	0	0.330	0.330	44.110
42 Massachusetts	5.300	5.300	9.500	9.500	4.500	0	0	0	3.48	1.73	1	2.86	1	0	0.235	0.235	44.640
43 Oregon	11.000	11.000	7.900	7.900	0.000	0	0	0	3.01	0.51	0	4.02	0	0	0.250	0.243	45.833
44 Vermont	8.950	8.950	8.500	8.500	0.000	0	0	0	5.29	3.30	1	1.29	1	0	0.247	0.290	47.317
45 Iowa	5.837	7.633	9.900	9.900	0.000	1	1	0	3.47	2.89	1	4.82	1	0	0.220	0.235	48.905
46 Maine	8.500	8.500	8.930	8.930	0.000	1	1	0	4.60	3.27	1	1.70	1	0	0.310	0.322	49.062
47 New York	8.970	8.970	8.307	8.307	0.000	1	1	1	4.23	3.55	1	1.22	1	0	0.449	0.439	49.442
48 California	10.550	10.550	8.840	8.840	1.500	1	1	0	2.74	3.34	0	0.80	0	0	0.486	0.480	50.126
49 Minnesota	7.850	7.850	9.800	9.800	0.000	1	1	0	2.87	3.23	1	5.90	1	0	0.272	0.272	51.844
50 New Jersey	10.750	10.750	9.360	9.360	0.000	0	0	1	5.02	2.74	1	2.67	1	0	0.145	0.175	54.970
51 Dist. of Columbia	8.500	8.500	9.975	9.975	9.975	0	0	1	4.13	3.55	1	0.73	1	0	0.235	0.235	58.805

SBE Council
 2944 Hunter Mill Road
 Suite 204
 Oakton, VA 22124
 703-242-5840
www.sbecouncil.org

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