



**REVISED & EXPANDED**

**SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S**

**SMALL BUSINESS SURVIVAL INDEX 2009:**

**RANKING THE POLICY ENVIRONMENT FOR ENTREPRENEURSHIP  
ACROSS THE NATION**

*14<sup>th</sup> Annual Edition*

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### **Small Business Survival Index 2009: State Rankings\***

(Ranked from the Friendliest to the Least Friendly Policy Environments for Entrepreneurship)

<b>Rank</b>	<b>State</b>	<b>SBSI</b>	<b>Rank</b>	<b>State</b>	<b>SBSI</b>
1	South Dakota	25.693	26	Kansas	57.813
2	Nevada	31.348	27	Pennsylvania	57.847
3	Texas	32.082	28	New Mexico	58.101
4	Wyoming	37.069	29	Louisiana	58.111
5	Washington	42.955	30	Wisconsin	58.800
6	Florida	45.284	31	Montana	59.041
7	South Carolina	48.001	32	Idaho	61.705
8	Colorado	48.250	33	New Hampshire	61.995
9	Alabama	48.823	34	Nebraska	62.143
10	Virginia	50.843	35	Delaware	62.775
11	Ohio	51.250	36	West Virginia	63.689
12	Alaska	51.554	37	Maryland	64.342
13	Tennessee	51.855	38	Oregon	65.179
14	Utah	52.404	39	North Carolina	65.497
15	Indiana	52.602	40	Connecticut	66.627
16	Arizona	52.803	41	Iowa	67.485
17	North Dakota	53.044	42	Hawaii	68.454
18	Missouri	53.277	43	Minnesota	72.149
19	Mississippi	53.439	44	Massachusetts	72.515
20	Georgia	53.781	45	Rhode Island	73.339
21	Oklahoma	53.868	46	Maine	74.699
22	Kentucky	54.877	47	Vermont	75.717
23	Michigan	55.383	48	New York	76.940
24	Illinois	55.983	49	California	77.749
25	Arkansas	56.006	50	New Jersey	84.730
			51	Dist. of Columbia	84.795

\* (Please note that the District of Columbia was not included in the studies on the states' liability systems, eminent domain legislation and highway cost efficiency, so D.C.'s last place score actually should be even worse.)

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## **Introduction: The Economy, the States and Entrepreneurs**

Last year's "Small Business Survival Index" opened this way: "The U.S. economy is in a serious downturn, and the outlook for a robust recovery seems remote. That means state and local policymakers face some very difficult decisions. Depending on which direction state lawmakers choose, they can either make the economic situation in their own state better or far worse."

That harsh economic reality has not changed over the past year. In fact, matters only grew worse.

Unfortunately, various lawmakers at the state and local level in fact made the wrong decisions. Specifically, they made policy changes that have increased the costs of entrepreneurship, investment and generally operating a business. Consider that since our last report, confronted by large budget shortfalls after years of excessive spending, eleven states have, for example, higher top personal income tax rates, and ten have a higher top capital gains tax rate on individuals.

Looking ahead at the federal level, the policy agenda is not positive for entrepreneurs, small businesses and investors. For example, threats loom large regarding policy changes that will increase personal income, capital gains, dividend and death taxes; impose a regulatory scheme that will jack up energy costs; and inflict dramatic changes on our health care system leading to increased taxes and higher health care costs, while placing the quality of care in real peril.

For good measure, a massive expansion in federal spending and unprecedented government interference and micromanaging in the marketplace were billed as saving or stimulating our economy. However, these measures have only created more uncertainty, diverted resources away from the private sector, and raised the threat of still higher taxes down the road.

Similar decisions at the state and local levels of government to raise taxes, increase regulation and expand the size and reach of government only add to the nation's overall economic woes.

In the end, government does not drive economic growth. Quite the contrary, growth comes from the private sector. The ultimate source of growth is economic risk taking in the private sector, that is, investing and entrepreneurship. These crucial activities drive innovation, invention, efficiency and productivity in our economy. While consumers ultimately decide what works and what does not, the entrepreneurs, innovators and investors will invest the capital – including sweat equity – and offer the ideas that launch and build businesses, create new jobs, and grow the economy.

Without a doubt, the biggest obstacle to entrepreneurship and investment is public policy gone awry. While most politicians talk a good game about entrepreneurs and small businesses, public policy too frequently raises costs, creates uncertainty and diminishes incentives for starting up,

investing in and building a business. And again it's not just elected officials at the federal level that cause problems. It certainly occurs at the state and local levels as well. That's where the "Small Business Survival Index" comes into play.

This report ranks the 50 states and District of Columbia according to some of the major government-imposed or government-related costs affecting investment, entrepreneurship, and business. The Index ranks the states according to their public policy climates for entrepreneurship.

This fourteenth annual "Small Business Survival Index" ties together 36 major government-imposed or government-related costs impacting small businesses and entrepreneurs across a broad spectrum of industries and types of businesses:

- **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 Small Business Survival Index: state's top personal income tax rate.<sup>1</sup>*

- **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. 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 Small Business Survival Index: state's top capital gains tax rate on individuals.<sup>2</sup>*

- **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 Small Business Survival Index: state's top corporate income tax rate.<sup>3</sup>*

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<sup>1</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.

<sup>2</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

<sup>3</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, 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 Small Business Survival Index: state's top capital gains tax rate on corporations.*<sup>4</sup>

• **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 raises costs, restrains investment, and hurts the state's competitiveness.

*Measurement in the Small Business Survival Index: additional income tax imposed on S-Corporations beyond the top personal income tax rate.*<sup>5</sup>

• **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 Small Business Survival 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").*<sup>6</sup>

• **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 Small Business Survival 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").*<sup>7</sup>

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<sup>4</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

<sup>5</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, and state specific sources.

<sup>6</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*.

<sup>7</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*.

• **Indexing Personal Income Tax Brackets.** Indexing income tax brackets 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 Small Business Survival 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”).<sup>8</sup>*

• **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 Small Business Survival Index: state and local property taxes (property taxes as a share of personal income).<sup>9</sup>*

• **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 Small Business Survival 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).<sup>10</sup>*

• **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 Small Business Survival 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”).<sup>11</sup>*

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<sup>8</sup> Data Source: The Federation of Tax Administrators website at [www.taxadmin.org](http://www.taxadmin.org).

<sup>9</sup> 2006-07 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>10</sup> 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 Small Business Survival 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.<sup>12</sup>*

• **Health Savings Accounts.** Health Savings Accounts (HSAs) provide much-needed choice, competition and consumer control in the health insurance marketplace. HSAs are tax-free savings accounts owned and controlled by individuals. Funds can be deposited tax free into the account by the employee, employer or both, and earnings accumulate tax free. The funds are used to cover medical expenses. And each HSA is tied to a traditional catastrophic insurance plan to cover large health care expenditures.

*Measurement in the Small Business Survival Index: states providing a tax deduction for individuals making contributions to HSAs or imposing no personal income tax receive a “0”, while states not providing a deduction receive a score of “1.”<sup>13</sup>*

• **Health Care Regulation: Guaranteed Issue for Self-Employed Group of One.** Health insurance represents a significant cost for businesses. Taxes, mandates and regulations increase health care costs, increase the number of uninsured, and act as another disincentive to starting up or locating a business in a high-cost state. Guaranteed issue means that individuals may not be turned down for health insurance coverage no matter the condition of their health or risk status. So, incentives for people to purchase health insurance before they become ill are removed. A guaranteed issue mandate raises health care costs, in this case for the self-employed.

*Measurement in the Small Business Survival Index: state mandate for guaranteed issue in the self-employed group of one market (state imposing guaranteed issue gets a score of “1” and states not imposing gets a score of “0”).<sup>14</sup>*

• **Health Care Regulation: Community Rating for Small Group Market.** Community rating mandates that an insurer charge the same price for everyone in a defined region regardless of their varying health care risks. So, no matter what the risks involved, everybody pays the same price for insurance. That translates into higher costs across the board.

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<sup>11</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, and “Estate Tax Study,” Connecticut Department of Revenue Services, February 1, 2008.

<sup>12</sup> Data Source: Data from the U.S. Bureau of Labor Statistics.

<sup>13</sup> Data source: “State That Allow Individuals to Deduct Health Savings Accounts Contributions, 2008,” Henry J. Kaiser Family Foundation at [www.statehealthfacts.org](http://www.statehealthfacts.org).

<sup>14</sup> Data source: “Small Group Health Insurance Market Guaranteed Issue, 2009” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.org](http://www.statehealthfacts.org).



*Measurement in the Small Business Survival Index: state mandate for community rating in the small group market (state imposing rate bands gets a score of “0.33”; state imposing adjusted community rating gets a score of “0.66”; state imposing pure community rating gets a score of “1”; and a state not imposing community rating gets a score of “0”).<sup>15</sup>*

• **Health Care Regulation: Guaranteed Issue for Individual Market.** Again, guaranteed issue means that individuals may not be turned down for health insurance coverage no matter the condition of their health or risk status. So, incentives for people to purchase health insurance before they become ill are removed. A guaranteed issue mandate raises health care costs, in this case for the self-employed.

*Measurement in the Small Business Survival Index: state mandate for guaranteed issue in the self-employed group of one market (state imposing guaranteed issue gets a score of “1” and states not imposing gets a score of “0”).<sup>16</sup>*

• **Health Care Regulation: Community Rating for Individual Market.** Again, community rating mandates that an insurer charge the same price for everyone in a defined region regardless of their varying health care risks. So, no matter what the risks involved, everybody pays the same price for insurance. That translates into higher costs across the board.

*Measurement in the Small Business Survival Index: state mandate for community rating in the small group market (state imposing rate bands gets a score of “0.33”; state imposing adjusted community rating gets a score of “0.66”; state imposing pure community rating gets a score of “1”; and a state not imposing community rating gets a score of “0”).<sup>17</sup>*

• **Health Care: State High-Risk Pools.** For individuals that cannot get health coverage due to pre-existing conditions, some states have opted to set up high-risk pools. According to the Council for Affordable Health insurance, high-risk pools “provide a safety net for the ‘medically uninsurable’ 1% to 2% of the population, who have been denied health insurance coverage because of a pre-existing health condition, or who can only access private coverage that is restricted or has extremely high rates.” CAHI is correct in noting that “state high-risk pools are a much better alternative to providing coverage for the medically uninsurable than imposing guaranteed issue laws on insurers which eventually increase the cost of insurance for everyone.”

*Measurement in the Small Business Survival Index: states that have high-risk pools receive a score of “0” and states that do not have high-risk pools receive a score of “1.” (One caveat: The existence of a high-risk pool in a state does not necessarily mean it is being managed properly.)<sup>18</sup>*

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<sup>15</sup> Data source: “Small Group Health Insurance Market Rate Restrictions, 2009” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.org](http://www.statehealthfacts.org).

<sup>16</sup> Data source: “Individual Market Guaranteed Issue, 2008” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.org](http://www.statehealthfacts.org).

<sup>17</sup> Data source: “Individual Market Rate Restrictions, 2008” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.org](http://www.statehealthfacts.org).

<sup>18</sup> Data Source: “State High Risk programs and Enrollment, December 2007,” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.org](http://www.statehealthfacts.org).

• **Health Care Regulation: Number of Mandates.** Beyond regulations like guaranteed issue and community rating, state laws impose a host of mandated benefits on insurers. These mandates, while often sounding reasonable, carry real and sometimes significant costs. Health care mandates are easy to impose, as politicians take credit for expanded benefits while denying the related costs.

*Measurement in the Small Business Survival Index: number of mandates imposed (state gets a score of 0.05 for each mandate imposed).<sup>19</sup>*

• **Electricity Costs.** Every business uses electricity, and for some, electricity costs rank among the highest expenses. High electricity rates due to hefty taxes and heavy-handed, misguided regulations can play a significant part in business decision-making.

*Measurement in the Small Business Survival Index: state's electricity cost index (index of state's average revenue per kilowatthour for electricity utilities).<sup>20</sup>*

• **Workers' Compensation Costs.** High workers' compensation rates impact the economy in much the same way as high unemployment tax rates. The cost of labor relative to capital is increased, and incentives for labor-intensive businesses to flee are clear.

*Measurement in the Small Business Survival Index: state workers' compensation benefits per \$100 of covered wages.<sup>21</sup>*

• **Total Crime Rate.** Just like taxes, a high crime rate acts as a disincentive to entrepreneurs and small businesses. If government is unable to adequately protect life, limb, and property—the basic duties of any government—then entrepreneurs and businesses will flee to safer environments.

*Measurement in the Small Business Survival Index: state's crime rate per 100 residents.<sup>22</sup>*

• **Right to Work.** A right-to-work state means that employees generally are not forced to become labor union members or pay dues to unions. Such worker freedoms offer a more dynamic, flexible workforce, and a more amenable environment for increased productivity and improved efficiency.

*Measurement in the Small Business Survival Index: right-to-work status (non-right-to-work states receive a score of "1," while right-to-work states receive a score of "0").<sup>23</sup>*

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<sup>19</sup> Data source: "Health Insurance Mandates in the States 2009," by Victoria Craig Bunce and JP Wieske, Council for Affordable Health Insurance, 2009.

<sup>20</sup> Data Source: Data for January to July 2009 from the U.S. Energy Information Administration.

<sup>21</sup> Data Source: 2007 data from "Workers' Compensation: Benefits, Coverage, and Costs, 2007," National Academy of Social Insurance, August 2009.

<sup>22</sup> Data Source: 2008 data from the U.S. Federal Bureau of Investigation, *Crime in the United States 2008*.

<sup>23</sup> Data Source: National Right to Work Legal Defense Foundation.

• **Number of Government Employees.** Governmental costs come in many forms, such as taxes, mandates, fees and regulations. Unfortunately, regulatory costs are difficult to assess in a uniform, comparative measure from state to state. One rough proxy for regulations can be the number of state and local government employees. After all, with regulations, rules, and mandates come regulators, i.e., those dreaming up, writing, passing, monitoring and enforcing such measures. Obviously, regulators and regulations raise the costs of doing business. But the costs of government employment reach beyond the mere number of regulators. A large number of government employees also means that a significant share of individuals are basically performing far less productive work than if they were in the private sector. After all, in the private sector, greater productivity, creativity and efficiency get rewarded, while such incentives are distinctly lacking in the public sector. Instead, the incentives in government all point to adding more personnel.

*Measurement in the Small Business Survival Index: state and local government employees (full-time equivalent employees per 100 residents).*<sup>24</sup>

• **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 Small Business Survival 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”).*<sup>25</sup>

• **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 Small Business Survival Index: Internet access tax (states without such a sales access tax score “0,” and states with such taxes score “1”).*<sup>26</sup>

• **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 Small Business Survival Index: state gas tax (dollars per gallon).*<sup>27</sup>

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<sup>24</sup> Data Source: 2007 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>25</sup> Source: National Conference of State Legislatures at [www.ncsl.org](http://www.ncsl.org).

<sup>26</sup> Steven Maguire and Nonna Noto, “Internet Taxation: Issues and Legislation in the 109<sup>th</sup> 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.

• **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 Small Business Survival Index: state diesel tax (dollars per gallon).<sup>28</sup>*

• **State Minimum Wage.** The minimum wage raises costs for businesses—being particularly harmful to smaller firms—while also hurting young, low-skilled, low-income workers by too often denying them the work experience necessary to climb the ladder of economic opportunity. Various states impose a state minimum wage that is higher than the federal minimum wage.

*Measurement in the Small Business Survival Index: state minimum wage minus the federal minimum wage.<sup>29</sup>*

• **State Legal Liability Costs.** The costs of litigation loom heavily over all businesses. Indeed, frivolous and costly lawsuits plague businesses across the nation, hurting investment, job creation and the overall economy. In fact, even the mere threat of possible lawsuits can stop some businesses in their tracks. (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.’s last place score on the “Small Business Survival Index” actually should be worse.)

*Measurement in the Small Business Survival Index: state liability score (each state is scored in the “Lawsuit Climate 2008: Ranking the States” with scores ranking from 71.5 (the best) to 42.4 (the worst). For purposes of the Index, we subtract each score from 100, so that the best state has the lowest score and the worst state has the highest, and then move the decimal points two to the left).<sup>30</sup>*

• **Regulatory Flexibility Status.** The Small Business Administration’s (SBA’s) Office of Advocacy has led a campaign to have states pass their own versions of the federal Regulatory Flexibility Act. The idea is to pass legislation that requires state agencies to assess the economic impact before imposing regulations, to consider less burdensome alternatives, to allow for judicial review of the process, and to periodically review all regulations.

*Measurement in the Small Business Survival Index: regulatory flexibility legislation status (score of “0” for states with full and active regulatory flexibility statutes, a score of “0.5” for states with partial or partially used regulatory flexibility statutes, and a score of “1” for no regulatory flexibility statutes).<sup>31</sup>*

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<sup>27</sup> Data Source: “Notes to State Motor Fuel Excise and Other Tax Rates,” October 1, 2009, American Petroleum Institute.

<sup>28</sup> Data Source: “Notes to State Motor Fuel Excise and Other Tax Rates,” October 1, 2009, American Petroleum Institute.

<sup>29</sup> Data Source: U.S. Department of Labor, “Minimum Wage Laws in the States ” at [www.dol.gov](http://www.dol.gov).

<sup>30</sup> Data Source: “Lawsuit Climate 2008: Ranking the States,” U.S. Chamber Institute for Legal Reform. Note: This study did not include the District of Columbia, so D.C.’s score on the Index is underestimated.

• **Trend in State and Local Government Spending.** Obviously, taxes paid by entrepreneurs, businesses and the economy are directly tied to government spending. This first spending measure captures the recent trend in spending growth for each state. Basically, it attempts to answer the question: What direction is the state headed in when it comes to spending and taxes?

*Measurement in the Small Business Survival Index: index of the latest five-year growth rate in per capita state and local government expenditures.<sup>32</sup>*

• **Per Capita State and Local Government Spending.** Again, taxes imposed on entrepreneurs, businesses and consumers are a reflection of the level of government spending. But to complete the overall picture of government's burdens on the private sector, government spending – whether financed through taxes, fees, or debt – must be considered. The most comprehensive measure that also reflects differences in population would be per capita state and local government expenditures.

*Measurement in the Small Business Survival Index: index of per capita state and local government expenditures.<sup>33</sup>*

• **Protecting Private Property.** The June 2005 U.S. Supreme Court decision in the *Kelo v. City of New London* case ignited a firestorm of protests across the nation. Homeowners and small businesses came to realize just how vulnerable they were to losing their property. If the government decided it could get what it perceived to be a better deal in terms of economic development and tax revenue by taking homes and businesses through the power of eminent domain, and turning that property over to other private parties, then that was mistakenly deemed constitutional by a narrow Supreme Court majority. That same majority, however, acknowledged that each state was free to restrict such abuses of eminent domain. In fact, the first duty of government is to protect property, not steal it. In addition, the enforcement of private property rights by government is foundational for any economy. In the end, economic development is hampered when government fails to protect private property. (Please note that the District of Columbia was not included in the study on eminent domain legislation, so D.C.'s last place score on the "Small Business Survival Index" actually should be worse.)

*Measurement in the Small Business Survival Index: score based on grades for eminent domain reform legislation (ranging from "0.3" for an A+ to "3.9" for an F.<sup>34</sup>*

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<sup>31</sup> Source: U.S. Small Business Administration, Office of Advocacy, "State Regulatory Flexibility Model Legislative Initiative," May 2009.

<sup>32</sup> Data Source: 2006-07 versus 2001-02 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>33</sup> Data Source: 2006-07 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>34</sup> Data Source: Institute for Justice, Castle Coalition, "50 State Report Card: Tracking Eminent Domain Reform legislation Since Kelo," updated December 2008. Note: This study did not include the District of Columbia, so D.C.'s score on the Index is underestimated.

• **Highway Cost Efficiency.** The condition and performance of roads and highways are of significant importance – one way or another – to most businesses. At the same time, just mindlessly throwing more and more tax dollars at roads does not necessarily enhance quality. Fortunately, an annual study considers both cost and effectiveness. (Please note that the District of Columbia was not included in the study on highway cost efficiency, so D.C.’s last place score on the “Small Business Survival Index” actually should be worse.)

*Measurement in the Small Business Survival Index: score is based on an assigned score of “0.05” for the state’s cost effectiveness ranking – so the best state receives a score of “0.05” and the worst receives “2.50.”<sup>35</sup>*

• **Paid Family Leave.** Government mandating that businesses provide leaves of absence to employees under various circumstances comes with real costs. For example, flexibility between employer and employee, and in terms of managing a firm’s entire workforce is lost. Holding positions open, and shifting responsibilities or using temporary workers raise costs. However, those costs are pushed much higher when mandated leave must also come with pay. In addition, the opportunities and costs of abuse expand. No matter how the compensation package or insurance is set up, mandated paid leave ultimately means higher labor costs.

*Measurement in the Small Business Survival Index: score is based on an assigned score of “0” for states not mandating paid leave and “1” for states mandating paid family leave.<sup>36</sup>*

As seen above, each of the 36 measures included in this year’s “Small Business Survival Index” is supported by sound economic reasoning and fundamentals. That is, the inclusion of each measure meets a basic economic common sense test. For good measure, a wide body of economic analysis/literature further backs up this economic common sense.

Consider various findings that show quite clearly why various measures are included in the “Small Business Survival Index.”

## **On Taxes**

• A March 2005 study, commissioned by the SBA’s Office of Advocacy, was co-authored by Donald Bruce, Ph.D., an economist from the University of Tennessee, and Tami Gurley, titled “Taxes and Entrepreneurial Activity: An Empirical Investigation Using Longitudinal Tax Return Data.” The authors noted: “We find convincing evidence that marginal tax rates have important effects on decisions to enter or remain in entrepreneurial activity.” They found the relative tax costs of wage earnings versus earnings from entrepreneurship matter, and concluded, “Taken together, our empirical results suggest that policies aimed at reducing the relative tax rates on entrepreneurs might lead to increases in entrepreneurial activity and

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<sup>35</sup> Data Source: David Hartgen, Ravi Karanam and Adrian Moore, “17<sup>th</sup> Annual Report on the Performance of State Highway Systems (1984-2006),” The Reason Foundation, July 2008. Note: This study did not include the District of Columbia, so D.C.’s score on the Index is underestimated.

<sup>36</sup> Data sources: Sources included [www.njcitizenaction.org](http://www.njcitizenaction.org), [www.paidfamilyleave.org](http://www.paidfamilyleave.org), the AFL-CIO blog at [blog.aflcio.org](http://blog.aflcio.org), and various media stories.

better chances of survival. Additionally, our results indicate that equal-rate cuts in tax rates on both wage and entrepreneurship incomes could yield similar results. Conversely, equal-rate increases in tax rates on both sources of incomes would most likely result in reduced rates of entrepreneurship entry and increased rates of entrepreneurial exit.” How best to sum this up? Raise the relative cost of entrepreneurship, and you’ll get less entrepreneurship. Reduce the relative costs of entrepreneurship, and you get more.

- A June 3, 2003, report (“Taxation and Migration”) written by Ohio University Distinguished Professor of Economics Richard Vedder for The Taxpayers Network noted recent trends in net domestic migration among the states (excluding international migration). Vedder split the country in two categories – 25 high tax states and 25 low tax states – based on state and local tax burden as a share of personal income. From 1990 to 1999, low tax states gained 2.05 million people in terms of net domestic migration, while high tax states lost 890,000. This pattern continued in the post-1990s. From 2000 to 2002, as low tax states gained 729,000, and high tax states lost 371,000 in net domestic migration. Vedder also observed that “the in-migration into states without income taxes was impressive – as was the out-migration from high-tax states.” He noted that his accompanying econometric analysis “increases our confidence in the basic conclusion that high taxes in general are perceived as lowering the quality of life in a locality, leading to out-migration.” In addition, Vedder pointed out that “a vast literature shows that high taxation leads to reduced economic growth.”

- Vedder also found in a 1995 report for the Joint Economic Committee of the U.S. Congress that relatively low tax states grew at almost a one-third faster rate than high tax states over the period of 1960 to 1993; an increase in state and local tax burdens equal to 1 percent of personal income reduced income growth by more than 3.5 percent; and if a state had kept its level of income taxation at the same share of personal income over this period, personal income would have been 30 percent higher in the end.<sup>37</sup>

- The Joint Economic Committee in Congress released an analysis on May 6, 2003, entitled “How the Top Individual Income Tax Rate Affects Small Business.” Among the report’s findings were:

- “Taxpayers in the highest income bracket are often entrepreneurs and small business owners, not just highly-paid executives or people living off their investments. Small business owners typically report their profits on their individual income tax returns, so the individual income tax is effectively the small business tax.”

- “Small businesses generally pay their income taxes through the individual income tax systems, not the corporate tax system. Sole proprietorships, partnerships, and S-Corporations are the three main organizational forms chosen by small business owners.”

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<sup>37</sup> As cited by Raymond J. Keating, *New York by the Numbers: State and City in Perpetual Crisis* (Lanham, MD: Madison Books, 1997), p. 15.

→ “Economists who have studied the effects of taxes on sole proprietorships have found that high marginal tax rates discourage entrepreneurs from investing in new capital equipment and, conversely, that reducing taxes encourages new investment.”

→ “At higher marginal tax rates, hiring employees can become a less attractive proposition as a higher fraction of any additional income that a new hire might generate for the business is taxed and diverted to the federal government.”

→ “Investment also promotes small business growth, since how much a worker can produce for a company depends on the amount and quality of the equipment that the worker has to work with. That is why when low marginal tax rates spur a business to make new capital investments in software, computers, or machinery, for example, that company’s workers become more productive, causing the company to grow. One study has shown that when the marginal tax rate for small businesses is reduced by 10 percent, those businesses’ gross receipts increase by over 8 percent.”

- An August 2004 analysis released by the Tax Foundation, written by foundation president Scott Hodge and senior economist J. Scott Moody, pointed out that “an extraordinarily high proportion of high-income taxpayers have some form of business income and that as their incomes rise, so too does the likelihood that they have business activity.” It turned out that 74 percent of the top 1 percent of income earners had business activity. This group broke down as 68 percent of those with incomes between \$317,000 and \$499,999 had business activity; 77 percent between \$500,000 and \$999,999; and 83 percent with incomes of \$1 million or more.

Business owners also carry the bulk of the personal income tax burden. The foundation estimated that in 2004, “business owners – specifically those with a positive tax liability – will pay 54.3 percent of all individual income taxes in 2004.” That included 37.4 percent of all income tax revenues coming from business owners making more than \$200,000. The analysis also noted that 69 percent of all income tax collections coming from businesses are paid by those earning more than \$200,000.

Among high-income earners, 37 percent of income came from salaries and wages, and 28 percent from business income. Some have argued that this business income level isn’t all that high, and therefore, that reductions in the highest individual income tax rates do not boost business. The authors of the study refuted this argument, with their main point being that “it is unrealistic to think that business owners would rely solely on profit disbursements from their businesses to pay their families’ bills.” They continued: “Instead, they would pay themselves a healthy salary first, then pocket any residual profits at the end of the year, leaving them with a majority of their income in salaries and wages despite their business ownership.” This obviously is business income, and matters a great deal to the business.



When factoring in all sources, the Tax Foundation study noted that as much as 65 percent to 73 percent of total income for these business owners could be business income. How did the authors summarize matters? They wrote: “The only conclusion from these findings is that lowering the top marginal income tax rates did indeed benefit many highly taxed business owners and the U.S. economy.”

- A July 2004 study (“Do the Rich Flee From High Tax States? Evidence from Federal Estate Tax Returns”) by economists Joel Slemrod and Jon Bakija, as noted in a June 21, 2005, press statement, “suggests that wealthy elderly people change their real (or reported) state of residence to avoid paying high state taxes, particularly those that target estates and inheritance, as well as purchases. High personal income taxes and property taxes levied by states also give upper-bracket taxpayers additional incentives to pack up their bags and head for places with lower, less progressive tax rates.”
- A study for the Federal Reserve Bank of Atlanta, examining data from 1960 to 1992, found that high marginal tax rates and high overall tax levels were negatively related to state economic growth.<sup>38</sup>

### **On Regulatory Costs**

• As noted earlier, no comparable analysis of overall regulatory costs state by state exists. However, an in-depth analysis of federal regulatory costs does exist, and it can be instructive for considering regulations at the state and local level. On September 19, 2005, the SBA’s Office of Advocacy published a study estimating the costs of complying with federal regulations. The study – “The Impact of Regulatory Costs on Small Firms” by W. Mark Crain from Lafayette College – provides details regarding how the burdens of federal regulatory costs fall, such as:

→ The per employee costs of federal regulations registered \$5,633 in 2004. However, that burden was not evenly distributed. For firms with less than 20 employees, the cost registered \$7,647, which was 41% higher than the \$5,411 per employee cost for firms with 20-499 employees, and 45% higher than the \$5,282 for firms with 500 or more employees.

→ In the areas of environmental and tax compliance regulations, the burdens on small firms were even more daunting. On the environmental front, per employee regulatory costs for firms with less than 20 employees came in at \$3,296, which topped the \$1,040 cost for firms with 20-499 employees by 217% and the \$710 cost for businesses with 500 or more workers by 364%. In terms of tax compliance, the \$1,304 per employee costs for businesses with fewer than 20 employees exceeded the \$948 per employee cost for firms with 20-499 employees by 38% and the \$780 per employee costs for firms with 500 or more workers by 67%.

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<sup>38</sup> Zsolt Becsi, “Do State and Local Taxes Affect Relative State Economic Growth?” *Economic Review*, Federal Reserve bank of Atlanta, March-April 1996.

→ Small manufacturers got hit particularly hard. Cain reports: “The compliance cost per employee for small manufacturers is at least double the compliance cost for medium-sized and large firms.” Per employee regulatory costs for manufacturers with fewer than 20 employees came in at \$21,919, which was 118% higher than the \$10,042 for manufacturers with 20-499 employees and 151% more than the burden on companies with 500 or more employees. Again, serious cost differentials came in the areas of environmental and tax compliance regulation. Regarding environmental regulation, per employee costs for manufacturers with fewer than 20 employees came in at \$15,747, which topped the \$4,970 for firms with 20-499 employees by 217% and exceeded the \$3,391 for firms with 500 or more workers by 364%. On the tax compliance issue, manufacturers with less than 20 workers faced per employee costs of \$2,582. That was 151% higher than for manufacturers with 20-499 employees (\$1,030 per employee), and 237% higher than for manufacturers with 500 or more employees (\$767 per employee).

Again, these are estimates of regulatory costs at the federal level. It should surprise no one that small businesses carry the heaviest burden. It also is reasonable to assume that regulatory burdens at the state and local levels will be allocated in similar fashion, that is, disproportionately and onerously on small enterprises.

### **On Health Care Regulations**

- The Council for Affordable Health Insurance reported in “Health Insurance Mandates in the States 2009” that “mandated benefits currently increase the cost of basic health coverage from a little less than 20% to perhaps 50%, depending on the number of mandates, the benefit design and the cost of the initial premium.”
- An econometric analysis released in 2006, written by William J. Congdon, Amanda Kowalski and Mark H. Showalter, was titled “State Health Insurance Regulations and the Price of High-Deductible Policies.” The report looked at the impact of service and provider mandates, any-willing provider regulations, community rating, and guaranteed issue on family and individual policies with high deductibles in the non-group market in 42 states. The findings included:
  - A strong statistical relationship exists between regulation and insurance prices. Specifically, “the presence of regulations tends to be associated with less generous insurance (higher coinsurance rates, higher deductibles, higher stoploss limits) as well as higher prices.”
  - Each mandate raises “the price of an individual policy by about 0.4 percent; for a family policy, it increases by about 0.5 percent.”

→ Community rating raises “the price of an individual policy by 20.3 percent. It raises the price of a family policy by 27.3 percent.”

→ Guaranteed issue raises “the price of an individual policy by 114.5 percent. For family policies, the price increase is 94.2 percent.”

- The SBA Office of Advocacy’s reported in September 2008: “Aspects of insurance that drive small business concerns are premium increases and administrative costs. Advocacy research shows that: (1) insurers of small health plans have higher administrative expenses than those that insure larger group plans, and (2) employees at small firms are less likely to have coverage than the employees of larger entities.”

### **On the Minimum Wage**

- *The Wall Street Journal* (“Job Slayers,” August 29, 2005), recently reported: “For decades economists have piled up studies concluding that a higher minimum wage destroys jobs for the most vulnerable population: uneducated and unskilled workers. The Journal of Economic Literature has established a rule of thumb that a 10% increase in the minimum wage leads to roughly a 2% hike in teen unemployment.”

- The Employment Policies Institute (EPI) released a May 2006 study by economist Joseph Sabia, University of Georgia, which was titled “The Effect of Minimum Wage Increases on Retail and Small Business Employment.” This was a response to a study by the Fiscal Policy Institute (FPI) claiming that increases in the minimum wage at the state level do not have negative employment effects. The overview of the EPI study explained:

“While the FPI study has been frequently cited by supporters of increases in the minimum wage, the study is based on faulty statistical methods, and its results provide an inaccurate picture of the effect of state-level minimum wage increases. This paper, by Dr. Joseph Sabia of the University of Georgia, presents a more careful and methodologically rigorous analysis of state-level minimum wage increases. His results confirm the consensus economic opinion that increases in the minimum wage decrease employment, particularly for low-skilled and entry-level employees.

“Using government data from January 1979 to December 2004, the effect of minimum wage increases on retail and small business employment is estimated. Specifically, a 10 percent increase in the minimum wage is associated with a 0.9 to 1.1 percent decline in retail employment and a 0.8 to 1.2 percent reduction in small business employment.

“These employment effects grow even larger for the low-skilled employees most affected by minimum wage increases. A 10 percent increase in the minimum wage is associated with a 2.7 to 4.3 percent decline in teen

employment in the retail sector, a 5 percent decline in average retail hours worked by all teenagers, and a 2.8 percent decline in retail hours worked by teenagers who remain employed in retail jobs.

“These results increase in magnitude when focusing on the effect on small businesses. A 10 percent increase in the minimum wage is associated with a 4.6 to 9.0 percent decline in teenage employment in small businesses and a 4.8 to 8.8 percent reduction in hours worked by teens in the retail sector.”

### **On Workers' Compensation Costs**

- In a September 2006 report for the National Center for Policy Analysis titled “Workers' Compensation: Rx for Policy Reform,” N. Michael Helvacian reported: “Though workplaces became much safer in the 20th century, and job-related injuries declined, the soaring claim costs of state-mandated workers' compensation insurance has offset the decline in injuries. As a result, employers face increasingly higher insurance premiums and self-insurance costs, which reached nearly \$60 billion in 2000. Although the average cost of workers' compensation premiums nationwide is less than 3 percent of payroll, premiums vary widely by industry. In high-risk industries, workers' compensation costs are often greater than health insurance premiums or Social Security payroll taxes. Workers implicitly pay part of these costs through reduced wages. Costs are increasing because state systems provide incentives for employers, employees and others to behave in ways that cause costs to be higher and workplaces to be less safe than they otherwise could be.”

As for small businesses, Helvacian noted: “Insurance premiums, especially for small employers, are not fully experienced-rated; as a result, firms that improve workplace safety cannot reap the full rewards and others are not penalized for poor safety practices.” In addition, he pointed out: “Workers' compensation premium rates are highly regulated in some states, and insurance markets are not as competitive as they could be; as a result, many small firms pay more than necessary for coverage. (For example, average premiums as a percentage of payroll are 50 percent higher for firms of less than 500 employees than for larger firms.)”

- Inc.com reported the following on September 23, 2004: “According to a recent survey by the National Federation of Independent Business, workers' compensation ranks as the third biggest problem facing small firms today, with about a third of the respondents describing it as a critical problem... The issue tends to be localized, because each state governs workers' compensation premiums differently.” The story noted later on: “The premiums charged are driven by the number of claims and the average claim size, which reflects the cost of medical treatment for job-related injuries, as well as litigation and administrative costs.”

## **Tallying Up the Index**

So, taxes and regulations matter a great deal to entrepreneurs, small businesses and the economy in general. The “Small Business Survival Index” makes clear that government-imposed or government-related costs have a deep impact on the entrepreneurial sector of our economy. As for how the final “Small Business Survival Index” score is tallied, the 36 measures explained above are simply added together into one index number. Obviously, other costs are imposed on entrepreneurs and businesses at the state and local levels, but it often is difficult or impossible to gain a comparable measure of such costs across all of the states. Still, the “Small Business Survival Index” manages to capture much of the governmental burdens affecting critical economic decisions—particularly affecting investment and entrepreneurship—state by state. Under the “Small Business Survival Index,” the lower the index number, the lighter the governmental burdens, and the better the environment for entrepreneurship. The “Small Business Survival Index” provides a measure by which states can be compared according to how the state and local governments treat small business and entrepreneurs. In essence, it is a comparative measure of economic incentives relating to government policies: the lower the “Small Business Survival Index” number, the greater the incentives to invest and take risks in that particular state.

(IMPORTANT: Please note that the 2009 “Small Business Survival Index” cannot be directly compared to editions from previous years as the Index has been revised and expanded each year.)

## State Rankings and Summary of Findings

Following are the state rankings (from friendliest to least friendly) for the Small Business Survival Index 2009:

### Small Business Survival Index 2009: State Rankings\*

Rank	State	SBSI	Rank	State	SBSI
1	South Dakota	25.693	26	Kansas	57.813
2	Nevada	31.348	27	Pennsylvania	57.847
3	Texas	32.082	28	New Mexico	58.101
4	Wyoming	37.069	29	Louisiana	58.111
5	Washington	42.955	30	Wisconsin	58.800
6	Florida	45.284	31	Montana	59.041
7	South Carolina	48.001	32	Idaho	61.705
8	Colorado	48.250	33	New Hampshire	61.995
9	Alabama	48.823	34	Nebraska	62.143
10	Virginia	50.843	35	Delaware	62.775
11	Ohio	51.250	36	West Virginia	63.689
12	Alaska	51.554	37	Maryland	64.342
13	Tennessee	51.855	38	Oregon	65.179
14	Utah	52.404	39	North Carolina	65.497
15	Indiana	52.602	40	Connecticut	66.627
16	Arizona	52.803	41	Iowa	67.485
17	North Dakota	53.044	42	Hawaii	68.454
18	Missouri	53.277	43	Minnesota	72.149
19	Mississippi	53.439	44	Massachusetts	72.515
20	Georgia	53.781	45	Rhode Island	73.339
21	Oklahoma	53.868	46	Maine	74.699
22	Kentucky	54.877	47	Vermont	75.717
23	Michigan	55.383	48	New York	76.940
24	Illinois	55.983	49	California	77.749
25	Arkansas	56.006	50	New Jersey	84.730
			51	Dist. of Columbia	84.795

\* (Please note that the District of Columbia was not included in the studies on the states' liability systems, eminent domain legislation and highway cost efficiency, so D.C.'s last place score actually should be even worse.)

Starting up, running and/or investing in businesses are risky ventures. But as noted earlier, those ventures spur the economy forward. Putting aside the political rhetoric, just how friendly or unfriendly are the policies that elected officials actually implement toward entrepreneurship and small business? In terms of their policy environments, the most entrepreneur-friendly states under the “Small Business Survival Index 2009” are: 1) South Dakota, 2) Nevada, 3) Texas, 4) Wyoming, 5) Washington, 6) Florida, 7) South Carolina, 8) Colorado, 9) Alabama, 10) Virginia, 11) Ohio, 12) Alaska, 13) Tennessee, 14) Utah, and 15) Indiana. In contrast, the most anti-entrepreneur policy environments are offered by the following: 37) Maryland, 38) Oregon, 39) North Carolina, 40) Connecticut, 41) Iowa, 42) Hawaii, 43) Minnesota, 44) Massachusetts, 45) Rhode Island, 46) Maine, 47) Vermont, 48) New York, 49) California, 50) New Jersey and 51) District of Columbia. (Please note that the District of Columbia was not included in the studies on the states’ liability systems, eminent domain legislation and highway cost efficiency, so D.C.’s last place score actually should be even worse.)

### **People Follow Opportunity**

It must be noted that countless issues play into human decision-making. But the impact of public policy often is very important. The relative governmental costs among the states will impact where people live and work, that is, where they seek opportunity. That most certainly is illustrated by where people are moving to and from among the states.

From 2000 to 2008, the top 25 states on the 2009 Index experienced population growth of 10.3%, while among the bottom 26 (including the District of Columbia), population growth registered 5.6%. Therefore, the population in the top 25 states on the Index grew at an 84 percent faster pace than the bottom 26 on the Index. In terms of raw numbers, the top 25 added 15.1 million in population, while the bottom 26 added 7.5 million.

Net domestic or internal migration is movement of people between the states, that is, excluding births, deaths and international migration. It clearly captures people voting with their feet. From 2000 to 2008, the top 25 states on the “Small Business Survival Index” netted a 3.54 million increase in population at the expense of the bottom 25 states plus the District. While seven states of the top 25 experienced negative net internal migration over this period, 17 in the bottom 26 did so.

Some elected officials, policymakers and special interests believe that taxes, regulations and other governmental costs can be increased with impunity. Economic reality tells a different story. Ever-mounting burdens placed on entrepreneurs and small businesses by government negatively affects economic opportunity. People go where economic opportunity is, in turn, bringing more opportunity with them. The “Small Business Survival Index” tries to make clear the relative governmental burdens placed on entrepreneurship among the states, so that business owners and their employees, elected officials and citizens in general can better grasp the competitive position of their respective states.

**Small Business Survival Index 2009**  
**Appendix A: Alphabetical Listing of States**

<b>State</b>	<b>Top PIT Rate</b>	<b>Top Ind CapGains Rate</b>	<b>Top CIT Rate</b>	<b>Top Corp CapGains Rate</b>	<b>Added S-Corp. Rate</b>	<b>Indiv. AMT</b>	<b>Corp. AMT</b>	<b>PIT Rate Index</b>
Alabama	3.250	4.250	4.225	4.225	3.250	0	0	1
Alaska	0.000	0.000	9.400	4.500	0.000	0	1	0
Arizona	4.540	4.540	6.968	6.968	0.000	0	0	1
Arkansas	7.000	4.900	6.500	6.500	0.000	0	0	0
California	10.550	10.550	8.840	8.840	1.500	1	1	0
Colorado	4.630	4.630	4.630	4.630	0.000	1	0	0
Connecticut	6.500	6.500	8.250	8.250	0.000	1	0	1
Delaware	6.950	6.950	8.700	8.700	0.000	0	0	1
Dist. of Columbia	8.500	8.500	9.975	9.975	9.975	0	0	1
Florida	0.000	0.000	5.500	5.500	0.000	0	1	0
Georgia	6.000	6.000	6.000	6.000	0.000	0	0	1
Hawaii	11.000	7.250	6.400	4.000	0.000	0	0	1
Idaho	7.800	7.800	7.600	7.600	0.000	0	0	0
Illinois	3.000	3.000	7.300	7.300	1.500	0	0	0
Indiana	3.400	3.400	8.500	8.500	0.000	0	0	0
Iowa	5.837	7.633	9.900	9.900	0.000	1	1	0
Kansas	6.450	6.450	7.050	7.050	0.000	0	0	1
Kentucky	6.000	6.000	6.000	6.000	0.750	0	0	1
Louisiana	3.900	5.100	5.200	5.200	5.200	0	0	1
Maine	8.500	8.500	8.930	8.930	0.000	1	1	0
Maryland	6.250	6.250	8.250	8.250	0.000	1	0	1
Massachusetts	5.300	5.300	9.500	9.500	4.500	0	0	0
Michigan	4.350	4.350	4.950	4.950	4.950	0	0	0
Minnesota	7.850	7.850	9.800	9.800	0.000	1	1	0
Mississippi	5.000	5.000	5.000	5.000	0.000	0	0	1
Missouri	6.000	6.000	5.156	5.156	0.000	0	0	1
Montana	6.900	6.900	6.750	6.750	0.000	0	0	0
Nebraska	6.840	6.840	7.810	7.810	0.000	1	0	1
Nevada	0.000	0.000	0.000	0.000	0.000	0	0	0



New								
Hampshire	0.000	5.000	8.500	8.500	8.500	0	0	0
New Jersey	10.750	10.750	9.360	9.360	0.000	0	1	1
New Mexico	4.900	2.450	7.600	7.600	0.000	0	0	1
New York	8.970	8.970	8.307	8.307	0.000	1	1	1
North Carolina	7.983	7.983	7.107	7.107	0.000	0	0	1
North Dakota	4.860	4.860	6.500	6.500	0.000	0	0	0
Ohio	5.925	5.925	1.900	1.900	0.000	0	0	1
Oklahoma	5.500	5.500	6.000	6.000	0.000	0	0	1
Oregon	11.000	11.000	7.900	7.900	0.000	0	0	0
Pennsylvania	3.070	3.070	9.990	9.990	0.000	0	0	0
Rhode Island	6.500	6.500	9.000	9.000	0.000	1	0	0
South Carolina	7.000	3.920	5.000	5.000	0.000	0	0	0
South Dakota	0.000	0.000	0.000	0.000	0.000	0	0	0
Tennessee	0.000	0.000	6.500	6.500	6.500	0	0	0
Texas	0.000	0.000	0.000	0.000	0.000	0	0	0
Utah	5.000	5.000	5.000	5.000	0.000	0	0	1
Vermont	9.400	9.400	8.500	8.500	0.000	0	0	0
Virginia	5.750	5.750	6.000	6.000	0.000	0	0	1
Washington	0.000	0.000	0.000	0.000	0.000	0	0	0
West Virginia	6.500	6.500	8.500	8.500	0.000	1	0	1
Wisconsin	7.750	3.100	7.900	7.900	0.000	1	0	0
Wyoming	0.000	0.000	0.000	0.000	0.000	0	0	0

<b>State</b>	<b>Property Taxes</b>	<b>Sales, Gross Rec &amp; Excise</b>	<b>Death/Inheritance Taxes</b>	<b>Unemp. Tax</b>	<b>HSA Deduct</b>	<b>Health: GI/SE</b>	<b>Health: CR/SG</b>	<b>Health: GI/Ind</b>
Alabama	1.40	3.85	0	1.18	1	0	0.33	0.00
Alaska	3.80	1.64	0	3.66	0	0	0.33	0.00
Arizona	2.98	5.05	0	0.86	0	0	0.33	0.00
Arkansas	1.58	5.18	0	1.85	0	0	0.33	0.00
California	2.74	3.34	0	0.80	1	0	0.33	0.50
Colorado	2.84	2.96	0	1.11	0	1	0.66	0.00
Connecticut	4.20	2.36	1	1.69	0	1	0.66	0.00
Delaware	1.65	1.01	0	1.71	0	1	0.33	0.00
Dist. of Columbia	4.13	3.55	1	0.73	1	0	0.00	0.00
Florida	3.84	4.65	0	0.88	0	1	0.33	0.50
Georgia	2.98	3.66	0	1.03	0	0	0.33	0.00
Hawaii	2.27	6.46	0	1.64	0	1	0.00	0.00
Idaho	2.34	3.09	0	4.98	0	0	0.33	0.50
Illinois	3.88	3.22	1	1.63	0	0	0.33	0.00
Indiana	2.92	3.31	1	0.99	1	0	0.33	0.00
Iowa	3.47	2.89	1	4.82	0	0	0.33	0.00
Kansas	3.41	3.54	1	1.48	0	0	0.33	0.00
Kentucky	1.98	3.46	1	2.04	0	0	0.33	0.00
Louisiana	1.70	5.68	1	1.01	0	0	0.33	0.00
Maine	4.60	3.27	1	1.70	0	1	0.66	1.00
Maryland	2.51	2.14	1	1.46	0	0	0.66	0.00
Massachusetts	3.48	1.73	1	2.86	0	1	0.66	1.00
Michigan	4.20	3.14	0	1.97	0	1	0.33	0.50
Minnesota	2.87	3.23	1	5.90	0	0	0.33	0.00
Mississippi	2.65	4.47	0	1.07	0	1	0.33	0.00
Missouri	2.77	3.24	0	2.78	0	0	0.33	0.00
Montana	3.48	1.02	0	4.36	0	0	0.33	0.00
Nebraska	3.70	3.10	1	1.28	0	0	0.33	0.00
Nevada	2.82	5.57	0	3.25	0	0	0.33	0.00
New Hampshire	5.33	1.11	0	1.07	0	1	0.66	0.00

New Jersey	5.02	2.74	1	2.67	1	0	0.66	1.00
New Mexico	1.67	5.40	0	2.81	0	0	0.33	0.00
New York	4.23	3.55	1	1.22	0	0	1.00	1.00
North Carolina	2.40	3.09	1	3.20	0	1	0.33	0.00
North Dakota	3.04	3.37	0	6.20	0	0	0.33	0.00
Ohio	3.38	3.19	1	1.91	0	0	0.33	0.50
Oklahoma	1.53	3.29	1	1.99	0	0	0.33	0.00
Oregon	3.01	0.51	0	4.02	0	0	0.66	0.50
Pennsylvania	3.21	2.66	1	2.26	0	0	0.00	0.00
Rhode Island	4.68	2.95	1	3.82	0	1	0.66	0.50
South Carolina	3.13	3.16	0	1.10	0	0	0.33	0.00
South Dakota	2.88	4.11	0	2.47	0	0	0.33	0.00
Tennessee	2.18	4.68	1	2.10	0	0	0.33	0.00
Texas	3.87	3.99	0	1.16	0	0	0.33	0.00
Utah	2.56	3.89	0	6.39	0	0	0.33	0.50
Vermont	5.29	3.30	1	1.29	0	1	0.66	1.00
Virginia	3.12	2.37	0	1.01	0	0	0.00	0.00
Washington	2.77	6.01	1	4.04	0	1	0.66	1.00
West Virginia	2.14	3.69	0	2.35	0	0	0.33	0.50
Wisconsin	4.14	2.66	0	2.47	1	0	0.33	0.00
Wyoming	4.86	4.06	0	4.43	0	0	0.33	0.00

State	Health: CR/Ind	HighRisk	Health: Mandates	Electric Utilities Costs	Workers' Comp.	Crime Rate	Right to Work	Gov Employ
Alabama	0.00	0.00	1.05	0.90	0.87	4.54	0	6.15
Alaska	0.00	0.00	1.60	1.52	1.46	3.58	1	7.66
Arizona	0.00	1.00	2.35	0.95	0.61	4.74	0	4.73
Arkansas	0.00	0.00	2.15	0.80	0.64	4.34	0	5.85
California	0.00	0.00	2.80	1.34	1.28	3.44	1	5.05
Colorado	0.00	0.00	2.55	0.81	0.83	3.19	1	5.42
Connecticut	0.00	0.00	2.70	1.74	0.75	2.76	1	5.37
Delaware	0.00	1.00	1.40	1.23	0.99	4.29	1	5.99
Dist. of Columbia	0.00	1.00	1.35	1.39	0.26	6.54	1	8.01
Florida	0.00	0.00	2.60	1.16	0.91	4.83	0	4.89
Georgia	0.00	1.00	2.25	0.90	0.83	4.49	0	5.46
Hawaii	0.00	1.00	1.20	2.00	1.09	3.84	1	5.60
Idaho	0.33	1.00	0.65	0.64	1.29	2.33	0	5.39
Illinois	0.00	0.00	2.35	0.93	0.99	3.46	1	5.03
Indiana	0.00	0.00	1.70	0.77	0.60	3.67	1	5.36
Iowa	0.33	0.00	1.30	0.75	0.98	2.70	0	6.11
Kansas	0.00	0.00	1.95	0.82	0.81	3.79	0	6.77
Kentucky	0.33	0.00	2.05	0.66	1.02	2.88	1	5.83
Louisiana	0.33	0.00	2.50	0.76	0.83	4.48	0	6.05
Maine	0.66	1.00	2.75	1.32	1.34	2.57	1	5.81
Maryland	0.00	0.00	3.30	1.34	0.74	4.15	1	5.35
Massachusetts	0.66	1.00	2.60	1.58	0.51	2.85	1	5.17
Michigan	0.00	1.00	1.25	0.96	0.86	3.44	1	4.91
Minnesota	0.33	0.00	3.40	0.83	0.80	3.11	1	5.42
Mississippi	0.00	0.00	1.45	0.90	0.99	3.23	0	6.48
Missouri	0.00	0.00	2.05	0.73	0.87	4.17	1	5.57
Montana	0.00	0.00	2.00	0.73	1.81	2.86	1	5.85
Nebraska	0.00	0.00	1.60	0.72	0.93	3.18	0	6.42
Nevada	0.33	1.00	2.60	1.02	0.71	4.17	0	4.32
New Hampshire	0.33	0.00	2.20	1.57	0.74	2.25	1	5.50

New Jersey	1.00	1.00	2.25	1.49	0.94	2.62	1	5.93
New Mexico	0.33	0.00	2.85	0.82	0.89	4.56	1	6.81
New York	1.00	1.00	2.55	1.59	0.64	2.39	1	6.34
North Carolina	0.00	0.00	2.50	0.86	0.89	4.51	0	6.00
North Dakota	0.33	0.00	1.70	0.67	0.85	2.06	0	6.49
Ohio	0.00	1.00	1.45	0.91	1.20	3.76	1	5.35
Oklahoma	0.00	0.00	1.90	0.72	1.27	3.97	0	5.98
Oregon	0.33	0.00	2.00	0.76	0.88	3.54	1	5.09
Pennsylvania	0.00	1.00	2.60	0.97	1.15	2.82	1	4.78
Rhode Island	0.00	1.00	3.50	1.42	0.80	3.09	1	5.11
South Carolina	0.00	0.00	1.45	0.84	1.23	4.96	0	5.77
South Dakota	0.33	0.00	1.50	0.73	1.01	1.85	0	5.45
Tennessee	0.00	0.00	2.05	0.88	0.76	4.77	0	5.28
Texas	0.00	0.00	2.85	1.05	0.42	4.49	0	5.64
Utah	0.33	0.00	1.15	0.68	0.62	3.58	0	4.95
Vermont	0.66	1.00	1.50	1.28	1.10	2.67	1	6.41
Virginia	0.00	1.00	3.00	0.91	0.69	2.77	0	5.74
Washington	0.66	0.00	2.85	0.69	1.56	4.09	1	5.27
West Virginia	0.00	0.00	1.90	0.66	3.08	2.84	1	5.59
Wisconsin	0.00	0.00	1.70	0.95	1.07	3.03	1	5.03
Wyoming	0.00	0.00	1.70	0.60	1.21	2.95	0	9.19

State	Tax Limit.	Internet Access Tax	Gas Tax	Diesel Tax	State Min. Wage	State Liability	Reg. Flex	SpendTrend
Alabama	1	0	0.209	0.219	0.00	0.525	1.0	0.88
Alaska	1	0	0.080	0.080	0.00	0.374	0.5	0.69
Arizona	0	0	0.190	0.190	0.00	0.347	0.0	1.12
Arkansas	0	0	0.218	0.228	0.00	0.420	0.5	1.01
California	0	0	0.474	0.453	0.75	0.482	0.5	1.17
Colorado	0	0	0.220	0.205	0.03	0.325	0.0	0.68
Connecticut	1	0	0.408	0.451	0.75	0.368	0.0	0.79
Delaware	0	0	0.230	0.220	0.00	0.285	0.5	1.50
Dist. of Columbia	1	0	0.235	0.235	1.00	NA	1.0	1.40
Florida	1	0	0.345	0.298	0.00	0.451	0.5	1.53
Georgia	1	0	0.209	0.206	0.00	0.386	0.5	0.98
Hawaii	1	1	0.444	0.465	0.00	0.485	0.0	0.99
Idaho	1	0	0.250	0.250	0.00	0.385	1.0	0.70
Illinois	1	0	0.367	0.399	0.75	0.487	0.5	0.90
Indiana	1	0	0.317	0.416	0.00	0.309	0.0	1.03
Iowa	1	0	0.220	0.235	0.00	0.320	0.5	0.95
Kansas	1	0	0.250	0.270	0.00	0.333	0.5	0.95
Kentucky	0	0	0.225	0.195	0.00	0.387	0.5	0.95
Louisiana	0	0	0.200	0.200	0.00	0.571	0.5	1.87
Maine	1	0	0.310	0.322	0.25	0.307	0.0	0.94
Maryland	1	0	0.235	0.243	0.00	0.394	0.5	1.21
Massachusetts	1	0	0.235	0.235	0.75	0.365	0.5	1.05
Michigan	1	0	0.332	0.308	0.15	0.403	0.5	0.67
Minnesota	1	0	0.272	0.272	0.00	0.335	0.5	0.52
Mississippi	0	0	0.188	0.188	0.00	0.563	0.5	1.67
Missouri	0	0	0.173	0.173	0.00	0.399	0.0	0.95
Montana	1	0	0.278	0.286	0.00	0.427	1.0	1.04
Nebraska	1	0	0.273	0.273	0.00	0.287	1.0	1.28
Nevada	0	0	0.331	0.286	0.20	0.431	0.0	0.89
New Hampshire	1	1	0.196	0.196	0.00	0.353	0.5	1.18
New Jersey	1	0	0.145	0.175	0.00	0.420	0.5	1.41

New Mexico	1	1	0.188	0.228	0.25	0.425	0.5	1.40
New York	1	0	0.448	0.434	0.00	0.384	0.0	1.00
North Carolina	1	0	0.302	0.302	0.00	0.374	1.0	0.86
North Dakota	1	1	0.230	0.230	0.00	0.344	0.0	0.92
Ohio	1	1	0.280	0.280	0.05	0.400	0.5	0.97
Oklahoma	0	0	0.170	0.140	0.00	0.358	0.0	0.86
Oregon	0	0	0.250	0.243	1.15	0.346	0.0	0.37
Pennsylvania	1	0	0.323	0.392	0.00	0.422	0.5	1.05
Rhode Island	1	0	0.330	0.330	0.15	0.429	0.0	1.19
South Carolina	1	0	0.168	0.168	0.00	0.455	0.0	0.88
South Dakota	0	1	0.240	0.240	0.00	0.343	0.5	0.98
Tennessee	1	0	0.214	0.184	0.00	0.377	0.0	1.10
Texas	1	1	0.200	0.200	0.00	0.432	0.5	0.84
Utah	1	0	0.245	0.245	0.00	0.314	0.5	0.52
Vermont	1	0	0.233	0.260	0.81	0.324	0.5	1.48
Virginia	1	0	0.193	0.194	0.00	0.316	0.0	1.16
Washington	0	1	0.375	0.375	1.30	0.385	0.5	0.68
West Virginia	1	0	0.322	0.321	0.00	0.576	0.5	0.20
Wisconsin	1	1	0.329	0.329	0.00	0.382	0.0	0.64
Wyoming	1	0	0.140	0.140	0.00	0.379	1.0	1.94

State	SpendvsAvg	EmDomainLeg	HgwyCostEff	PaidFamLeave	SBSI
Alabama	0.87	1.2	1.45	0	48.823
Alaska	1.93	3.3	2.45	0	51.554
Arizona	0.84	1.2	1.30	0	52.803
Arkansas	0.76	3.9	1.35	0	56.006
California	1.22	3.6	2.20	1	77.749
Colorado	0.95	2.4	1.55	0	48.250
Connecticut	1.08	3.3	1.75	0	66.627
Delaware	1.14	3.6	1.40	0	62.775
Dist. of Columbia	2.04	NA	NA	0	84.795
Florida	0.92	0.6	2.05	0	45.284
Georgia	0.87	1.2	0.50	0	53.781
Hawaii	1.07	3.9	2.35	0	68.454
Idaho	0.75	3.0	0.70	0	61.705
Illinois	0.96	3.0	1.70	0	55.983
Indiana	0.83	1.5	0.75	0	52.602
Iowa	0.91	1.8	1.60	0	67.485
Kansas	0.86	1.5	0.25	0	57.813
Kentucky	0.84	3.0	0.45	0	54.877
Louisiana	1.00	1.5	2.00	0	58.111
Maine	0.93	3.0	1.10	0	74.699
Maryland	0.96	3.3	1.85	0	64.342
Massachusetts	1.13	3.9	2.15	0	72.515
Michigan	0.91	0.9	2.10	0	55.383
Minnesota	1.03	1.8	0.90	0	72.149
Mississippi	0.96	3.9	1.90	0	53.439
Missouri	0.81	3.3	0.65	0	53.277
Montana	0.87	3.3	0.10	0	59.041
Nebraska	1.07	3.0	0.40	0	62.143
Nevada	0.89	1.2	1.00	0	31.348
New Hampshire	0.81	1.2	2.30	0	61.995
New Jersey	1.14	3.9	2.50	1	84.730
New Mexico	1.04	0.9	0.15	0	58.101



New York	1.46	3.9	2.25	0	76.940
North Carolina	0.85	2.7	1.15	0	65.497
North Dakota	0.91	0.6	0.05	0	53.044
Ohio	0.99	3.3	0.85	0	51.250
Oklahoma	0.81	3.9	1.65	0	53.868
Oregon	0.97	1.2	0.55	0	65.179
Pennsylvania	0.99	1.8	1.80	0	57.847
Rhode Island	1.08	3.9	2.40	0	73.339
South Carolina	0.94	1.2	0.30	0	48.001
South Dakota	0.78	0.6	0.35	0	25.693
Tennessee	0.90	3.6	0.95	0	51.855
Texas	0.81	2.7	0.60	0	32.082
Utah	0.85	1.5	1.25	0	52.404
Vermont	1.05	3.6	1.50	0	75.717
Virginia	0.87	1.2	0.80	0	50.843
Washington	1.09	2.7	1.95	0	42.955
West Virginia	0.79	2.7	1.20	0	63.689
Wisconsin	0.94	2.1	1.05	0	58.800
Wyoming	1.44	1.5	0.20	0	37.069

\* (Please note that the District of Columbia was not included in the studies on the states' liability systems, eminent domain legislation and highway cost efficiency, so D.C.'s last place score actually should be even worse.)

**Small Business Survival Index 2009**  
**Appendix B: State Rankings of Top Personal Income Tax Rates**

Rank	State	PIT Rate	Rank	State	PIT Rate
1t	Alaska	0.000	26	Ohio	5.925
1t	Florida	0.000	27t	Georgia	6.000
1t	Nevada	0.000	27t	Kentucky	6.000
1t	New Hampshire	0.000	27t	Missouri	6.000
1t	South Dakota	0.000	30	Maryland	6.250
1t	Tennessee	0.000	31	Kansas	6.450
1t	Texas	0.000	32t	Connecticut	6.500
1t	Washington	0.000	32t	Rhode Island	6.500
1t	Wyoming	0.000	32t	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	New York	8.970
22	Massachusetts	5.300	47	Vermont	9.400
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

**Small Business Survival Index 2009**  
**Appendix C: State Rankings of Top Individual Capital Gains Tax Rates**

Rank	State	Ind CG Rate	Rank	State	Ind CG Rate
1t	Alaska	0.000	26	Oklahoma	5.500
1t	Florida	0.000	27	Virginia	5.750
1t	Nevada	0.000	28	Ohio	5.925
1t	South Dakota	0.000	29t	Georgia	6.000
1t	Tennessee	0.000	29t	Kentucky	6.000
1t	Texas	0.000	29t	Missouri	6.000
1t	Washington	0.000	32	Maryland	6.250
1t	Wyoming	0.000	33	Kansas	6.450
9	New Mexico	2.450	34t	Connecticut	6.500
10	Illinois	3.000	34t	Rhode Island	6.500
11	Pennsylvania	3.070	34t	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	New York	8.970
21t	Utah	5.000	48	Vermont	9.400
24	Louisiana	5.100	49	California	10.550
25	Massachusetts	5.300	50	New Jersey	10.750
			51	Oregon	11.000

**Small Business Survival Index 2009**  
**Appendix D: State Rankings of Top Corporate Income Tax Rates**

Rate	State	CIT Rate	Rate	State	CIT Rate
1t	Nevada	0.000	26	Kansas	7.050
1t	South Dakota	0.000	27	North Carolina	7.107
1t	Texas	0.000	28	Illinois	7.300
1t	Washington	0.000	29t	Idaho	7.600
1t	Wyoming	0.000	29t	New Mexico	7.600
6	Ohio	1.900	31	Nebraska	7.810
7	Alabama	4.225	32t	Oregon	7.900
8	Colorado	4.630	32t	Wisconsin	7.900
9	Michigan	4.950	34t	Connecticut	8.250
10t	Mississippi	5.000	34t	Maryland	8.250
10t	South Carolina	5.000	36	New York	8.307
10t	Utah	5.000	37	Indiana	8.500
13	Missouri	5.156	38t	New Hampshire	8.500
14	Louisiana	5.200	38t	Vermont	8.500
15	Florida	5.500	38t	West Virginia	8.500
16t	Georgia	6.000	41	Delaware	8.700
16t	Kentucky	6.000	42	California	8.840
16t	Oklahoma	6.000	43	Maine	8.930
16t	Virginia	6.000	44	Rhode Island	9.000
20	Hawaii	6.400	45	New Jersey	9.360
21t	Arkansas	6.500	46	Alaska	9.400
21t	North Dakota	6.500	47	Massachusetts	9.500
21t	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

**Small Business Survival Index 2009**  
**Appendix E: State Rankings of Top Corporate Capital Gains Tax Rates**

Rank	State	Corp CG Rate	Rank	State	Corp CG Rate
1t	Nevada	0.000	26	Arizona	6.968
1t	South Dakota	0.000	27	Kansas	7.050
1t	Texas	0.000	28	North Carolina	7.107
1t	Washington	0.000	29	Illinois	7.300
1t	Wyoming	0.000	30t	Idaho	7.600
6	Ohio	1.900	30t	New Mexico	7.600
7	Hawaii	4.000	32	Nebraska	7.810
8	Alabama	4.225	33t	Oregon	7.900
9	Alaska	4.500	33t	Wisconsin	7.900
10	Colorado	4.630	35t	Connecticut	8.250
11	Michigan	4.950	35t	Maryland	8.250
12t	Mississippi	5.000	37	New York	8.307
12t	South Carolina	5.000	38t	Indiana	8.500
12t	Utah	5.000	38t	New Hampshire	8.500
15	Missouri	5.156	38t	Vermont	8.500
16	Louisiana	5.200	38t	West Virginia	8.500
17	Florida	5.500	42	Delaware	8.700
18t	Georgia	6.000	43	California	8.840
18t	Kentucky	6.000	44	Maine	8.930
18t	Oklahoma	6.000	45	Rhode Island	9.000
18t	Virginia	6.000	46	New Jersey	9.360
22t	Arkansas	6.500	47	Massachusetts	9.500
22t	North Dakota	6.500	48	Minnesota	9.800
22t	Tennessee	6.500	49	Iowa	9.900
25	Montana	6.750	50	Dist. of Columbia	9.975
			51	Pennsylvania	9.990

**Small Business Survival Index 2009**  
**Appendix F: 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

## Small Business Survival Index 2009

### Appendix G: 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	0.51	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

## Small Business Survival Index 2009

### Appendix H: 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	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



## Small Business Survival Index 2009

### Appendix I: State Rankings of Number of Health Insurance Mandates

(0.05 for each mandate imposed tallied up to total score)

Rank	State	Hth Mandates	Rank	State	Hth Mandates
1	Idaho	0.65	25t	Missouri	2.05
2	Alabama	1.05	25t	Tennessee	2.05
3	Utah	1.15	28	Arkansas	2.15
4	Hawaii	1.20	29	New Hampshire	2.20
5	Michigan	1.25	30t	Georgia	2.25
6	Iowa	1.30	30t	New Jersey	2.25
7	Dist. of Columbia	1.35	32t	Arizona	2.35
8	Delaware	1.40	32t	Illinois	2.35
9t	Mississippi	1.45	34t	Louisiana	2.50
9t	Ohio	1.45	34t	North Carolina	2.50
9t	South Carolina	1.45	36t	Colorado	2.55
12t	South Dakota	1.50	36t	New York	2.55
12t	Vermont	1.50	38t	Florida	2.60
14t	Alaska	1.60	38t	Massachusetts	2.60
14t	Nebraska	1.60	38t	Nevada	2.60
16t	Indiana	1.70	38t	Pennsylvania	2.60
16t	North Dakota	1.70	42	Connecticut	2.70
16t	Wisconsin	1.70	43	Maine	2.75
16t	Wyoming	1.70	44	California	2.80
20t	Oklahoma	1.90	45t	New Mexico	2.85
20t	West Virginia	1.90	45t	Texas	2.85
22	Kansas	1.95	45t	Washington	2.85
23	Montana	2.00	48	Virginia	3.00
24	Oregon	2.00	49	Maryland	3.30
25t	Kentucky	2.05	50	Minnesota	3.40
			51	Rhode Island	3.50

## Small Business Survival Index 2009

### Appendix J: State Rankings of Electric Utility Costs

(Index of State Average Revenue Per Kilowatthour for Electricity Utilities Relative to the U.S. Average)

Rank	State	Elec Costs	Rank	State	Elec Costs
1	Wyoming	0.60	25t	Georgia	0.90
2	Idaho	0.64	25t	Mississippi	0.90
3t	Kentucky	0.66	28t	Ohio	0.91
3t	West Virginia	0.66	28t	Virginia	0.91
5	North Dakota	0.67	30	Illinois	0.93
6	Utah	0.68	31t	Arizona	0.95
7	Washington	0.69	31t	Wisconsin	0.95
8t	Nebraska	0.72	33	Michigan	0.96
8t	Oklahoma	0.72	34	Pennsylvania	0.97
10t	Missouri	0.73	35	Nevada	1.02
10t	Montana	0.73	36	Texas	1.05
10t	South Dakota	0.73	37	Florida	1.16
13	Iowa	0.75	38	Delaware	1.23
14t	Louisiana	0.76	39	Vermont	1.28
14t	Oregon	0.76	40	Maine	1.32
16	Indiana	0.77	41t	California	1.34
17	Arkansas	0.80	41t	Maryland	1.34
18	Colorado	0.81	43	Dist. of Columbia	1.39
19t	Kansas	0.82	44	Rhode Island	1.42
19t	New Mexico	0.82	45	New Jersey	1.49
21	Minnesota	0.83	46	Alaska	1.52
22	South Carolina	0.84	47	New Hampshire	1.57
23	North Carolina	0.86	48	Massachusetts	1.58
24	Tennessee	0.88	49	New York	1.59
25t	Alabama	0.90	50	Connecticut	1.74
			51	Hawaii	2.00

### Small Business Survival Index 2009

#### Appendix K: State Rankings of Workers' Compensation Benefits Per \$100 of Covered Wages

Rank	State	Workers Comp	Rank	State	Workers Comp
1	Dist. of Columbia	0.26	26t	New Mexico	0.89
2	Texas	0.42	26t	North Carolina	0.89
3	Massachusetts	0.51	28	Florida	0.91
4	Indiana	0.60	29	Nebraska	0.93
5	Arizona	0.61	30	New Jersey	0.94
6	Utah	0.62	31	Iowa	0.98
7t	Arkansas	0.64	32t	Delaware	0.99
7t	New York	0.64	32t	Illinois	0.99
9	Virginia	0.69	32t	Mississippi	0.99
10	Nevada	0.71	35	South Dakota	1.01
11t	Maryland	0.74	36	Kentucky	1.02
11t	New Hampshire	0.74	37	Wisconsin	1.07
13	Connecticut	0.75	38	Hawaii	1.09
14	Tennessee	0.76	39	Vermont	1.10
15t	Minnesota	0.80	40	Pennsylvania	1.15
15t	Rhode Island	0.80	41	Ohio	1.20
17	Kansas	0.81	42	Wyoming	1.21
18t	Colorado	0.83	43	South Carolina	1.23
18t	Georgia	0.83	44	Oklahoma	1.27
18t	Louisiana	0.83	45	California	1.28
21	North Dakota	0.85	46	Idaho	1.29
22	Michigan	0.86	47	Maine	1.34
23t	Alabama	0.87	48	Alaska	1.46
23t	Missouri	0.87	49	Washington	1.56
25	Oregon	0.88	50	Montana	1.81
			51	West Virginia	3.08

**Small Business Survival Index 2009**  
**Appendix L: State Rankings of Crime Rate**

<b>Rank</b>	<b>State</b>	<b>Crime Rate</b>	<b>Rank</b>	<b>State</b>	<b>Crime Rate</b>
1	South Dakota	1.85	26	Illinois	3.46
2	North Dakota	2.06	27	Oregon	3.54
3	New Hampshire	2.25	28t	Alaska	3.58
4	Idaho	2.33	28t	Utah	3.58
5	New York	2.39	30	Indiana	3.67
6	Maine	2.57	31	Ohio	3.76
7	New Jersey	2.62	32	Kansas	3.79
8	Vermont	2.67	33	Hawaii	3.84
9	Iowa	2.70	34	Oklahoma	3.97
10	Connecticut	2.76	35	Washington	4.09
11	Virginia	2.77	36	Maryland	4.15
12	Pennsylvania	2.82	37t	Missouri	4.17
13	West Virginia	2.84	37t	Nevada	4.17
14	Massachusetts	2.85	39	Delaware	4.29
15	Montana	2.86	40	Arkansas	4.34
16	Kentucky	2.88	41	Louisiana	4.48
17	Wyoming	2.95	42t	Georgia	4.49
18	Wisconsin	3.03	42t	Texas	4.49
19	Rhode Island	3.09	44	North Carolina	4.51
20	Minnesota	3.11	45	Alabama	4.54
21	Nebraska	3.18	46	New Mexico	4.56
22	Colorado	3.19	47	Arizona	4.74
23	Mississippi	3.23	48	Tennessee	4.77
24t	California	3.44	49	Florida	4.83
24t	Michigan	3.44	50	South Carolina	4.96
			51	Dist. of Columbia	6.54

## Small Business Survival Index 2009

### Appendix M: State Rankings of the Number of Government Employees

(Full-Time-Equivalent State and Local Government Employees Per 100 Residents)

Rank	State	Gov Employ	Rank	State	Gov Employ
1	Nevada	4.32	26	West Virginia	5.59
2	Arizona	4.73	27	Hawaii	5.60
3	Pennsylvania	4.78	28	Texas	5.64
4	Florida	4.89	29	Virginia	5.74
5	Michigan	4.91	30	South Carolina	5.77
6	Utah	4.95	31	Maine	5.81
7t	Illinois	5.03	32	Kentucky	5.83
7t	Wisconsin	5.03	33t	Arkansas	5.85
9	California	5.05	33t	Montana	5.85
10	Oregon	5.09	35	New Jersey	5.93
11	Rhode Island	5.11	36	Oklahoma	5.98
12	Massachusetts	5.17	37	Delaware	5.99
13	Washington	5.27	38	North Carolina	6.00
14	Tennessee	5.28	39	Louisiana	6.05
15t	Maryland	5.35	40	Iowa	6.11
15t	Ohio	5.35	41	Alabama	6.15
17	Indiana	5.36	42	New York	6.34
18	Connecticut	5.37	43	Vermont	6.41
19	Idaho	5.39	44	Nebraska	6.42
20t	Colorado	5.42	45	Mississippi	6.48
20t	Minnesota	5.42	46	North Dakota	6.49
22	South Dakota	5.45	47	Kansas	6.77
23	Georgia	5.46	48	New Mexico	6.81
24	New Hampshire	5.50	49	Alaska	7.66
25	Missouri	5.57	50	Dist. of Columbia	8.01
			51	Wyoming	9.19

**Small Business Survival Index 2009**  
**Appendix N: State Rankings of State Gas Taxes**  
(Dollars Per Gallon of Gasoline)

<b>Rank</b>	<b>State</b>	<b>Gas Tax</b>	<b>Rank</b>	<b>State</b>	<b>Gas Tax</b>
1	Alaska	0.080	24t	Massachusetts	0.235
2	Wyoming	0.140	27	South Dakota	0.240
3	New Jersey	0.145	28	Utah	0.245
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	0.273
9	Arizona	0.190	34	Montana	0.278
10	Virginia	0.193	35	Ohio	0.280
11	New Hampshire	0.196	36	North Carolina	0.302
12t	Louisiana	0.200	37	Maine	0.310
12t	Texas	0.200	38	Indiana	0.317
14t	Alabama	0.209	39	West Virginia	0.322
14t	Georgia	0.209	40	Pennsylvania	0.323
16	Tennessee	0.214	41	Wisconsin	0.329
17	Arkansas	0.218	42	Rhode Island	0.330
18t	Colorado	0.220	43	Nevada	0.331
18t	Iowa	0.220	44	Michigan	0.332
20	Kentucky	0.225	45	Florida	0.345
21t	Delaware	0.230	46	Illinois	0.367
21t	North Dakota	0.230	47	Washington	0.375
23	Vermont	0.233	48	Connecticut	0.408
24t	Dist. of Columbia	0.235	49	Hawaii	0.444
24t	Maryland	0.235	50	New York	0.448
			51	California	0.474

**Small Business Survival Index 2009**  
**Appendix O: State Rankings of State Diesel Taxes**  
(Dollars Per Gallon of Gasoline)

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	Vermont	0.260
6	New Jersey	0.175	31	Kansas	0.270
7	Tennessee	0.184	32	Minnesota	0.272
8	Mississippi	0.188	33	Nebraska	0.273
9	Arizona	0.190	34	Ohio	0.280
10	Virginia	0.194	35t	Montana	0.286
11	Kentucky	0.195	35t	Nevada	0.286
12	New Hampshire	0.196	37	Florida	0.298
13t	Louisiana	0.200	38	North Carolina	0.302
13t	Texas	0.200	39	Michigan	0.308
15	Colorado	0.205	40	West Virginia	0.321
16	Georgia	0.206	41	Maine	0.322
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	0.399
22t	Dist. of Columbia	0.235	47	Indiana	0.416
22t	Iowa	0.235	48	New York	0.434
22t	Massachusetts	0.235	49	Connecticut	0.451
25	South Dakota	0.240	50	California	0.453
			51	Hawaii	0.465

## Small Business Survival Index 2009

### Appendix P: State Rankings of State and Local Government Five-Year Spending Trends, 2001-02 to 2006-07

(Index of Percentage Increases vs. U.S. State and Local Trend)

Rank	State	SpendTrend	Rank	State	SpendTrend
1	West Virginia	0.20	26t	Georgia	0.98
2	Oregon	0.37	26t	South Dakota	0.98
3t	Minnesota	0.52	28	Hawaii	0.99
3t	Utah	0.52	29	New York	1.00
5	Wisconsin	0.64	30	Arkansas	1.01
6	Michigan	0.67	31	Indiana	1.03
7t	Colorado	0.68	32	Montana	1.04
7t	Washington	0.68	33t	Massachusetts	1.05
9	Alaska	0.69	33t	Pennsylvania	1.05
10	Idaho	0.70	35	Tennessee	1.10
11	Connecticut	0.79	36	Arizona	1.12
12	Texas	0.84	37	Virginia	1.16
13t	North Carolina	0.86	38	California	1.17
13t	Oklahoma	0.86	39	New Hampshire	1.18
15t	Alabama	0.88	40	Rhode Island	1.19
15t	South Carolina	0.88	41	Maryland	1.21
17	Nevada	0.89	42	Nebraska	1.28
18	Illinois	0.90	43t	Dist. of Columbia	1.40
19	North Dakota	0.92	43t	New Mexico	1.40
20	Maine	0.94	45	New Jersey	1.41
21t	Iowa	0.95	46	Vermont	1.48
21t	Kansas	0.95	47	Delaware	1.50
21t	Kentucky	0.95	48	Florida	1.53
21t	Missouri	0.95	49	Mississippi	1.67
25	Ohio	0.97	50	Louisiana	1.87
			51	Wyoming	1.94



## Small Business Survival Index 2009

### Appendix Q: State Rankings of Per Capita State and Local Government Expenditures, 2006-07

(Index of Per Capita Amounts vs. U.S. State and Local Per Capita Amount)

Rank	State	SpendvsAvg	Rank	State	SpendvsAvg
1	Idaho	0.75	26t	South Carolina	0.94
2	Arkansas	0.76	26t	Wisconsin	0.94
3	South Dakota	0.78	28	Colorado	0.95
4	West Virginia	0.79	29t	Illinois	0.96
5t	Missouri	0.81	29t	Maryland	0.96
5t	New Hampshire	0.81	29t	Mississippi	0.96
5t	Oklahoma	0.81	32	Oregon	0.97
5t	Texas	0.81	33t	Ohio	0.99
9	Indiana	0.83	33t	Pennsylvania	0.99
10t	Arizona	0.84	35	Louisiana	1.00
10t	Kentucky	0.84	36	Minnesota	1.03
12t	North Carolina	0.85	37	New Mexico	1.04
12t	Utah	0.85	38	Vermont	1.05
14	Kansas	0.86	39t	Hawaii	1.07
15t	Alabama	0.87	39t	Nebraska	1.07
15t	Georgia	0.87	41t	Connecticut	1.08
15t	Montana	0.87	41t	Rhode Island	1.08
15t	Virginia	0.87	43	Washington	1.09
19	Nevada	0.89	44	Massachusetts	1.13
20	Tennessee	0.90	45t	Delaware	1.14
21t	Iowa	0.91	45t	New Jersey	1.14
21t	Michigan	0.91	47	California	1.22
21t	North Dakota	0.91	48	Wyoming	1.44
24	Florida	0.92	49	New York	1.46
25	Maine	0.93	50	Alaska	1.93
			51	Dist. of Columbia	2.04

**Small Business Survival Index 2009**  
**Appendix R: State Rankings of Highway Cost Effectiveness, 2006**

Rank	State	HgwyCostEff	Rank	State	HgwyCostEff
1	North Dakota	0.05	26	Arizona	1.30
2	Montana	0.10	27	Arkansas	1.35
3	New Mexico	0.15	28	Delaware	1.40
4	Wyoming	0.20	29	Alabama	1.45
5	Kansas	0.25	30	Vermont	1.50
6	South Carolina	0.30	31	Colorado	1.55
7	South Dakota	0.35	32	Iowa	1.60
8	Nebraska	0.40	33	Oklahoma	1.65
9	Kentucky	0.45	34	Illinois	1.70
10	Georgia	0.50	35	Connecticut	1.75
11	Oregon	0.55	36	Pennsylvania	1.80
12	Texas	0.60	37	Maryland	1.85
13	Missouri	0.65	38	Mississippi	1.90
14	Idaho	0.70	39	Washington	1.95
15	Indiana	0.75	40	Louisiana	2.00
16	Virginia	0.80	41	Florida	2.05
17	Ohio	0.85	42	Michigan	2.10
18	Minnesota	0.90	43	Massachusetts	2.15
19	Tennessee	0.95	44	California	2.20
20	Nevada	1.00	45	New York	2.25
21	Wisconsin	1.05	46	New Hampshire	2.30
22	Maine	1.10	47	Hawaii	2.35
23	North Carolina	1.15	48	Rhode Island	2.40
24	West Virginia	1.20	49	Alaska	2.45
25	Utah	1.25	50	New Jersey	2.50