



**SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S**

**Business Tax Index 2009:  
Best to Worst State Tax Systems for  
Entrepreneurship and Small Business**

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*Protecting small business, promoting entrepreneurship*

## **Business Tax Index 2009:**

### ***Best to Worst State Tax Systems for Entrepreneurship and Small Business***

Taxes shift resources away from the private sector, distort economic activity, and restrain economic growth. Without a doubt, taxes hit the bottom lines of entrepreneurs, investors and small businesses.

Of course, April 15 is “Tax Day” – the deadline for filing income taxes. That’s usually the day that much of the nation focuses attention on taxes. But taxes are a burden on entrepreneurs, investors and the economy throughout the year.

Taxes seem to feel particularly painful in a down economy, like we are suffering right now. Unfortunately, many of our elected officials don’t seem to grasp the burdens they impose on the private sector, as tax increases recently have been passed and/or are being considered at the federal level and in the states.

At the state and local levels, taxes have been piling up on small business owners. Many of states and localities continue to increase levies in various ways, including income, property, sales, assorted excise, gross receipts, and death taxes, along with a wide array of fees.

While each and every tax hits business directly or indirectly, different taxes affect economic decision-making in distinct ways. For example, income taxes are the most worrisome, 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.

The point is taxes matter – at the federal, state and local levels 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 2009” 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 tax, 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) Nevada, 3) Wyoming, 4) Washington, 5) Texas, 6) Florida, 7) Alaska, 8) Colorado, 9) Alabama, 10) Ohio, 11) South Carolina, 12) Mississippi, 13) Tennessee, 14) Missouri, and 15) Oklahoma.

The 15 worst state tax systems are: 37) Hawaii, 38) North Carolina, 39) West Virginia, 40) Nebraska, 41) Idaho, 42) Massachusetts, 43) Vermont, 44) Rhode Island, 45) Iowa, 46) New York, 47) California, 48) Maine, 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 2009: 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	11.120	26	Louisiana	35.680
2	Nevada	11.877	27	New Mexico	35.736
3	Wyoming	14.140	28	Kentucky	35.890
4	Washington	15.790	29	Pennsylvania	36.255
5	Texas	15.806	30	Connecticut	37.747
6	Florida	22.423	31	Montana	38.014
7	Alaska	24.910	32	Wisconsin	38.208
8	Colorado	26.865	33	Kansas	39.050
9	Alabama	28.128	34	Oregon	39.233
10	Ohio	28.500	35	Maryland	39.378
11	South Carolina	29.416	36	North Dakota	39.480
12	Mississippi	29.696	37	Hawaii	39.878
13	Tennessee	30.519	38	North Carolina	41.034
14	Missouri	31.418	39	West Virginia	41.267
15	Oklahoma	31.670	40	Nebraska	42.086
16	Virginia	32.263	41	Idaho	43.080
17	Arizona	32.356	42	Massachusetts	44.600
18	Illinois	33.663	43	Vermont	44.860
19	Georgia	33.981	44	Rhode Island	45.640
20	Michigan	34.541	45	Iowa	49.145
21	Delaware	35.000	46	New York	49.361
22	Indiana	35.045	47	California	49.685
23	Arkansas	35.122	48	Maine	49.860
24	Utah	35.390	49	Minnesota	50.792
25	New Hampshire	35.502	50	New Jersey	51.090
			51	Dist. of Columbia	58.315

• **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>

### State Rankings of Top Personal Income Tax Rates

<i>Rank</i>	<i>State</i>	<i>Top PIT Rate</i>	<i>Rank</i>	<i>State</i>	<i>Top PIT Rate</i>
1t	Alaska	0.000	26	Iowa	5.837
1t	Florida	0.000	27	Ohio	5.925
1t	Nevada	0.000	28	Delaware	5.950
1t	New Hampshire	0.000	29t	Georgia	6.000
1t	South Dakota	0.000	29t	Kentucky	6.000
1t	Tennessee	0.000	29t	Missouri	6.000
1t	Texas	0.000	32	Maryland	6.250
1t	Washington	0.000	33	Kansas	6.450
1t	Wyoming	0.000	34t	Rhode Island	6.500
10	Illinois	3.000	34t	West Virginia	6.500
11	Pennsylvania	3.070	36	Wisconsin	6.750
12	Alabama	3.250	37	Nebraska	6.840
13	Indiana	3.400	38	Montana	6.900
14	Louisiana	3.900	39t	Arkansas	7.000
15	Michigan	4.350	39t	South Carolina	7.000
16	Arizona	4.540	41	North Carolina	7.750
17	Colorado	4.630	42	Idaho	7.800
18	New Mexico	4.900	43	Minnesota	7.850
19t	Connecticut	5.000	44	Hawaii	8.250
19t	Mississippi	5.000	45t	Dist. of Columbia	8.500
19t	Utah	5.000	45t	Maine	8.500
22	Oklahoma	5.250	47t	New Jersey	8.970
23	Massachusetts	5.300	47t	New York	8.970
24	North Dakota	5.540	49	Oregon	9.000
25	Virginia	5.750	50	Vermont	9.500
			51	California	10.550

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

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

### State Rankings of Top Capital Gains Tax Rates

<i>Rank</i>	<i>State</i>	<i>Top IndCG Rate</i>	<i>Rank</i>	<i>State</i>	<i>Top IndCG Rate</i>
1t	Alaska	0.000	26	Massachusetts	5.300
1t	Florida	0.000	27	North Dakota	5.540
1t	Nevada	0.000	28	Vermont	5.700
1t	New Hampshire	0.000	29	Virginia	5.750
1t	South Dakota	0.000	30	Ohio	5.925
1t	Tennessee	0.000	31	Delaware	5.950
1t	Texas	0.000	32t	Georgia	6.000
1t	Washington	0.000	32t	Kentucky	6.000
1t	Wyoming	0.000	32t	Missouri	6.000
10	New Mexico	2.450	35	Maryland	6.250
11	Wisconsin	2.700	36	Kansas	6.450
12	Illinois	3.000	37t	Rhode Island	6.500
13	Pennsylvania	3.070	37t	West Virginia	6.500
14	Indiana	3.400	39	Nebraska	6.840
15	South Carolina	3.920	40	Montana	6.900
16	Alabama	4.250	41	Hawaii	7.250
17	Michigan	4.350	42	Iowa	7.633
18	Arizona	4.540	43	North Carolina	7.750
19	Colorado	4.630	44t	Idaho	7.800
20	Arkansas	4.900	45	Minnesota	7.850
21t	Connecticut	5.000	46t	Dist. of Columbia	8.500
21t	Mississippi	5.000	46t	Maine	8.500
21t	Utah	5.000	48t	New Jersey	8.970
24	Louisiana	5.100	48t	New York	8.970
25	Oklahoma	5.250	50	Oregon	9.000
			51	California	10.550

<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.

• **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>

### State Rankings of Top Corporate Income Tax Rates

<i>Rank</i>	<i>State</i>	<i>Top CIT Rate</i>	<i>Rank</i>	<i>State</i>	<i>Top CIT Rate</i>
1t	Nevada	0.000	26	North Carolina	6.900
1t	South Dakota	0.000	27	Arizona	6.968
1t	Texas	0.000	28	Kansas	7.050
1t	Washington	0.000	29	Illinois	7.300
1t	Wyoming	0.000	30	Connecticut	7.500
6	Ohio	1.900	31	Idaho	7.600
7	Alabama	4.225	32	New Mexico	7.600
8	Colorado	4.630	33	Nebraska	7.810
9	Michigan	4.950	34	Wisconsin	7.900
10t	Mississippi	5.000	35	Maryland	8.250
10t	South Carolina	5.000	36	New York	8.307
10t	Utah	5.000	37t	Indiana	8.500
13	Missouri	5.156	37t	New Hampshire	8.500
14	Louisiana	5.200	37t	Vermont	8.500
15	Florida	5.500	37t	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	Oregon	6.600	49	Iowa	9.900
25	Montana	6.750	50	Dist. of Columbia	9.975
			51	Pennsylvania	9.990

<sup>3</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, the Tax Foundation, and state specific sources. Note: Corporate income tax rates reflect deductibility of federal income taxes in certain states.

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

### State Rankings of Top Corporate Capital Gains Tax Rates

<i>Rank</i>	<i>State</i>	<i>Top CorpCG Rate</i>	<i>Rank</i>	<i>State</i>	<i>Top CorpCG Rate</i>
1t	Nevada	0.000	26	Montana	6.750
1t	South Dakota	0.000	27	North Carolina	6.900
1t	Texas	0.000	28	Arizona	6.968
1t	Washington	0.000	29	Kansas	7.050
1t	Wyoming	0.000	30	Illinois	7.300
6	Ohio	1.900	31	Connecticut	7.500
7	Hawaii	4.000	32	Idaho	7.600
8	Alabama	4.225	33	New Mexico	7.600
9	Alaska	4.500	34	Nebraska	7.810
10	Colorado	4.630	35	Wisconsin	7.900
11	Michigan	4.950	36	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	Oregon	6.600	50	Dist. of Columbia	9.975
			51	Pennsylvania	9.990

<sup>4</sup> Data Source: CCH Incorporated, *2008 State Tax Handbook*, the Tax Foundation, 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 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>

• **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 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>

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<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*.

<sup>8</sup> Data Source: Tax Foundation, and CCH Incorporated, *2009 State Tax Handbook*.



• **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>

### State Rankings of State and Local Property Taxes

(Property Taxes as a Share of Personal Income)

<i>Rank</i>	<i>State</i>	<i>Prop Taxes</i>	<i>Rank</i>	<i>State</i>	<i>Prop Taxes</i>
1	Alabama	1.36	26	South Dakota	3.02
2	Oklahoma	1.54	27	South Carolina	3.05
3	Delaware	1.60	28	North Dakota	3.09
4	Arkansas	1.65	29	Pennsylvania	3.12
5	New Mexico	1.68	30	Ohio	3.33
6	Louisiana	1.77	31	Kansas	3.44
7	Kentucky	1.95	32	Florida	3.45
8	Hawaii	2.08	33	Iowa	3.49
9	West Virginia	2.10	34	Dist. of Columbia	3.58
10	Tennessee	2.11	35	Montana	3.61
11	Maryland	2.42	36	Massachusetts	3.63
12	North Carolina	2.45	37	Nebraska	3.73
13	Utah	2.48	38	Alaska	3.74
14	California	2.58	39	Texas	3.95
15	Nevada	2.60	40	Illinois	3.99
16	Missouri	2.63	41	Michigan	4.06
17	Mississippi	2.65	42	Indiana	4.17
18	Minnesota	2.67	43	Wisconsin	4.18
19	Arizona	2.77	44	Connecticut	4.21
20	Idaho	2.79	45	New York	4.30
21	Colorado	2.80	46	Wyoming	4.43
22	Washington	2.81	47	Rhode Island	4.73
23	Georgia	2.97	48	New Jersey	5.08
24	Oregon	2.98	49	Maine	5.21
25	Virginia	3.01	50	Vermont	5.26
			51	New Hampshire	5.34

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<sup>9</sup> 2005-06 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 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>

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

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

<i>Rank</i>	<i>State</i>	<i>SGRE Tax</i>	<i>Rank</i>	<i>State</i>	<i>SGRE Tax</i>
1	Oregon	0.52	26	California	3.36
2	Delaware	0.97	27	Indiana	3.38
3	Montana	1.06	28	Minnesota	3.39
4	New Hampshire	1.11	29	Maine	3.40
5	Alaska	1.52	30	North Dakota	3.42
6	Massachusetts	1.82	31	Kansas	3.55
7	Maryland	2.21	32	Dist. of Columbia	3.64
8	Virginia	2.33	33t	Kentucky	3.67
9	New Jersey	2.49	33t	New York	3.67
10	Connecticut	2.52	35	Georgia	3.70
11	Pennsylvania	2.67	36	Texas	3.79
12	Idaho	2.72	37	West Virginia	3.82
13	Wisconsin	2.76	38	Alabama	3.88
14	Ohio	2.96	39	Utah	3.91
15t	Colorado	2.99	40	Wyoming	3.95
15t	Iowa	2.99	41	South Dakota	4.29
17	South Carolina	3.06	42	Arizona	4.30
18	North Carolina	3.09	43	Florida	4.39
19	Nebraska	3.15	44	Mississippi	4.52
20	Rhode Island	3.19	45	Tennessee	4.74
21	Michigan	3.25	46	New Mexico	5.21
22	Oklahoma	3.29	47	Arkansas	5.24
23	Illinois	3.31	48	Nevada	5.52
24	Vermont	3.32	49	Louisiana	5.82
25	Missouri	3.33	50	Washington	5.85
			51	Hawaii	6.35

<sup>10</sup> 2005-06 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>11</sup>

### 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)

<i>Rank</i>	<i>State</i>	<i>Unemploy. Tax</i>	<i>Rank</i>	<i>State</i>	<i>Unemploy. Tax</i>
1	California	0.72	26	Tennessee	1.77
2	Dist. of Columbia	0.77	27	Maine	1.78
3	Arizona	0.89	28	Missouri	1.80
4	Florida	0.94	29	Ohio	2.00
5	New York	0.99	30	Oklahoma	2.03
6	Indiana	1.00	31	Michigan	2.08
7t	Georgia	1.04	32	Kentucky	2.10
7t	Virginia	1.04	33	South Dakota	2.33
9	South Carolina	1.05	34	Wisconsin	2.36
10	Louisiana	1.09	35	New Jersey	2.54
11	Colorado	1.13	36	Massachusetts	2.58
12	Mississippi	1.15	37	North Carolina	2.59
13	New Hampshire	1.16	38	New Mexico	2.88
14	Texas	1.17	39	Arkansas	2.89
15	Connecticut	1.24	40	Rhode Island	3.10
16	Alabama	1.26	41	Nevada	3.14
17	Maryland	1.27	42	Alaska	3.75
18	Nebraska	1.36	43	Oregon	4.04
19	Kansas	1.54	44	Washington	4.38
20	Illinois	1.55	45t	Montana	4.48
21	Vermont	1.61	45t	Wyoming	4.48
22	Pennsylvania	1.63	47	Minnesota	4.92
23	Delaware	1.68	48	Iowa	4.94
24	West Virginia	1.70	49	Idaho	5.27
25	Hawaii	1.75	50	North Dakota	6.43
			51	Utah	6.51

<sup>11</sup> 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 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>12</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>13</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>14</sup>

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

<sup>13</sup> Source: National Conference of State Legislatures at [www.ncsl.org](http://www.ncsl.org).

<sup>14</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.

• **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>15</sup>

### State Rankings of State Gas Taxes

(Dollars Per Gallon of Gasoline)

<i>Rank</i>	<i>State</i>	<i>Gas Tax</i>	<i>Rank</i>	<i>State</i>	<i>Gas Tax</i>
1	Alaska	0.000	27	South Dakota	0.240
2	Georgia	0.124	28	Utah	0.245
3	Wyoming	0.140	29t	Idaho	0.250
4	New Jersey	0.145	29t	Kansas	0.250
5	South Carolina	0.168	29t	Oregon	0.250
6	Oklahoma	0.170	32	Minnesota	0.256
7	Missouri	0.173	33	Nebraska	0.273
8t	Mississippi	0.188	34	Montana	0.278
8t	New Mexico	0.188	35	Ohio	0.280
10t	Arizona	0.190	36	Indiana	0.292
10t	Virginia	0.190	37	Maine	0.299
12	New Hampshire	0.196	38	North Carolina	0.302
13t	Dist. of Columbia	0.200	39	Michigan	0.305
13t	Louisiana	0.200	40	Rhode Island	0.310
13t	Texas	0.200	41	West Virginia	0.322
13t	Vermont	0.200	42	Pennsylvania	0.323
17	Alabama	0.209	43	Illinois	0.324
18	Tennessee	0.214	44	Wisconsin	0.329
19	Arkansas	0.218	45	Nevada	0.331
20t	Colorado	0.220	46	Hawaii	0.336
20t	Iowa	0.220	47	Connecticut	0.343
22	Kentucky	0.225	48	Florida	0.345
23t	Delaware	0.230	49	California	0.353
23t	North Dakota	0.230	50	Washington	0.375
25t	Maryland	0.235	51	New York	0.413
25t	Massachusetts	0.235			

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<sup>15</sup> Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," January 12, 2009, 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 Small Business Survival Index: state diesel tax (dollars per gallon).*<sup>16</sup>

### State Rankings of State Diesel Taxes

(Dollars Per Gallon of Diesel Fuel)

<i>Rank</i>	<i>State</i>	<i>Diesel Tax</i>	<i>Rank</i>	<i>State</i>	<i>Diesel Tax</i>
1	Alaska	0.000	26t	Maryland	0.243
2t	Oklahoma	0.140	26t	Oregon	0.243
2t	Wyoming	0.140	28	Utah	0.245
4	Georgia	0.147	29	Idaho	0.250
5	South Carolina	0.168	30	Minnesota	0.256
6	Missouri	0.173	31t	Kansas	0.270
7	New Jersey	0.175	31t	Vermont	0.270
8	Tennessee	0.184	33	Nebraska	0.273
9	Mississippi	0.188	34	Ohio	0.280
10	Arizona	0.190	35t	Montana	0.286
11	Virginia	0.193	35t	Nevada	0.286
12	Kentucky	0.195	37	Michigan	0.296
13	New Hampshire	0.196	38	Florida	0.298
14t	Dist. of Columbia	0.200	39	North Carolina	0.302
14t	Louisiana	0.200	40	Rhode Island	0.310
14t	Texas	0.200	41	Maine	0.311
17	Colorado	0.205	42	West Virginia	0.321
18	Alabama	0.219	43	Wisconsin	0.329
19	Delaware	0.220	44	Washington	0.375
20t	Arkansas	0.228	45	Illinois	0.389
20t	New Mexico	0.228	46t	California	0.392
22	North Dakota	0.230	46t	Pennsylvania	0.392
23t	Iowa	0.235	48	Indiana	0.403
23t	Massachusetts	0.235	49t	Connecticut	0.434
25	South Dakota	0.240	49t	New York	0.434
			51	Hawaii	0.462

<sup>16</sup> Data Source: “Notes to State Motor Fuel Excise and Other Tax Rates,” January 12, 2009, American Petroleum Institute.

# Business Tax Index 2009: Details

State	Top PRT	Top Ind CG	Top CIT	Top Cor CG	S-Corp	Indiv. AMT	Corp. AMT	PT 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	3.02	4.29	0	2.33	0	1	0.240	0.240	11,120
2 Nevada	0.000	0.000	0.000	0.000	0.000	0	0	0	2.60	3.52	0	3.14	0	0	0.331	0.286	11,877
3 Wyoming	0.000	0.000	0.000	0.000	0.000	0	0	0	4.43	3.95	0	4.48	1	0	0.140	0.140	14,140
4 Washington	0.000	0.000	0.000	0.000	0.000	0	0	0	2.81	5.85	1	4.38	1	0	0.375	0.375	15,790
5 Texas	0.000	0.000	0.000	0.000	4.500	0	0	0	3.95	3.79	0	1.17	1	1	0.200	0.200	15,806
6 Florida	0.000	0.000	5.500	5.500	0.000	0	1	0	3.45	4.39	0	0.94	1	0	0.345	0.298	22,423
7 Alaska	0.000	0.000	9.400	9.400	0.000	0	1	0	3.74	1.52	0	3.75	0	0	0.000	0.000	24,910
8 Colorado	4.630	4.630	4.225	4.225	0.000	1	0	0	2.80	2.99	0	1.13	0	0	0.220	0.205	26,865
9 Alabama	3.250	4.250	4.225	4.225	3.250	0	0	1	1.36	3.88	0	1.26	1	1	0.209	0.219	28,128
10 Ohio	5.925	5.925	1.900	1.900	0.000	0	1	1	3.33	2.86	1	2.00	1	1	0.280	0.280	28,500
11 South Carolina	7.000	3.920	5.000	5.000	0.000	0	0	0	3.05	3.06	0	1.05	1	0	0.168	0.168	29,416
12 Mississippi	5.000	5.000	5.000	5.000	0.000	0	0	0	2.65	4.52	0	1.15	1	0	0.188	0.188	29,696
13 Tennessee	0.000	0.000	6.500	6.500	6.500	0	0	1	2.11	4.74	1	1.77	0	0	0.214	0.184	30,519
14 Missouri	0.000	0.000	5.156	5.156	0.000	0	0	1	2.63	3.33	0	1.80	0	0	0.173	0.173	31,418
15 Oklahoma	5.250	5.250	6.000	6.000	0.000	0	0	1	1.54	3.29	1	2.03	0	0	0.170	0.140	31,670
16 Virginia	5.750	5.750	6.000	6.000	0.000	0	0	1	3.01	2.33	0	1.04	0	0	0.190	0.193	32,263
17 Arizona	4.540	4.540	6.968	6.968	0.000	0	0	1	2.77	4.30	0	0.89	0	0	0.190	0.190	32,356
18 Illinois	3.000	3.000	7.300	7.300	1.500	0	0	1	3.99	3.31	1	1.55	1	0	0.324	0.389	33,663
19 Georgia	6.000	6.000	6.000	6.000	0.000	0	0	1	2.97	3.70	0	1.04	1	0	0.124	0.147	33,981
20 Michigan	4.350	4.350	4.950	4.950	4.950	0	0	0	4.06	3.25	0	2.08	1	0	0.305	0.296	34,541
21 Delaware	5.950	5.950	8.700	8.700	0.000	0	0	1	1.60	0.97	1	1.68	0	0	0.230	0.220	35,000
22 Indiana	3.400	3.400	8.500	8.500	0.000	0	0	0	4.17	3.38	0	1.00	1	0	0.292	0.403	35,045
23 Arkansas	7.000	4.900	6.500	6.500	0.000	0	0	0	1.65	5.24	0	2.89	0	0	0.218	0.228	35,122
24 Utah	5.000	5.000	5.000	5.000	0.000	0	0	1	2.48	3.91	0	6.51	1	0	0.245	0.245	35,390
25 New Hampshire	0.000	0.000	8.500	8.500	8.500	0	0	1	5.34	1.11	0	1.16	1	1	0.196	0.196	35,502
26 Louisiana	3.900	5.100	5.200	5.200	5.200	0	0	1	1.77	5.82	1	1.09	0	0	0.200	0.200	35,680
27 New Mexico	4.900	2.450	7.600	7.600	0.000	0	0	1	1.68	5.21	0	2.88	1	1	0.188	0.228	35,736
28 Kentucky	6.000	6.000	6.000	6.000	0.750	0	0	1	1.95	3.67	1	2.10	1	0	0.225	0.195	35,890
29 Pennsylvania	3.070	3.070	9.990	9.990	0.000	0	0	1	3.12	2.67	1	1.63	1	0	0.323	0.392	36,255
30 Connecticut	5.000	5.000	7.500	7.500	0.000	1	0	0	4.21	2.52	0	1.24	1	0	0.343	0.434	37,747
31 Montana	6.900	6.900	6.750	6.750	0.000	0	0	0	3.61	1.06	0	4.48	1	1	0.278	0.286	38,014
32 Wisconsin	6.750	2.700	7.900	7.900	0.000	1	0	0	4.18	2.76	0	2.36	1	0	0.329	0.329	38,208
33 Kansas	6.450	6.450	7.050	7.050	0.000	0	0	1	3.44	3.55	1	1.54	1	0	0.250	0.270	39,050
34 Oregon	9.000	9.000	6.600	6.600	0.000	0	0	0	2.98	0.52	0	4.04	0	0	0.235	0.243	39,233
35 Maryland	6.250	6.250	8.250	8.250	0.000	1	0	1	2.42	2.21	1	1.27	1	1	0.235	0.243	39,378
36 North Dakota	5.540	5.540	6.500	6.500	0.000	0	0	0	3.09	3.42	0	6.43	1	1	0.230	0.230	39,480
37 Hawaii	8.250	7.250	6.400	6.400	0.000	0	0	1	2.08	6.35	0	1.75	1	0	0.336	0.462	39,878
38 North Carolina	7.750	7.750	6.900	6.900	0.000	0	0	1	2.45	3.09	1	2.59	1	0	0.302	0.302	41,034
39 West Virginia	6.500	6.500	8.500	8.500	0.000	1	0	0	2.10	3.82	0	1.70	1	1	0.322	0.321	41,267
40 Nebraska	6.840	6.840	7.810	7.810	0.000	0	0	1	3.73	3.15	0	1.36	1	0	0.273	0.273	42,086
41 Idaho	7.800	7.800	7.600	7.600	0.000	0	0	0	2.79	2.72	0	5.27	1	1	0.250	0.250	43,080
42 Massachusetts	5.300	5.300	9.500	9.500	4.500	0	0	0	3.63	1.82	1	2.58	0	0	0.235	0.235	44,600
43 Vermont	9.500	5.700	8.500	8.500	0.000	0	0	0	5.26	3.32	1	1.61	1	0	0.200	0.200	44,860
44 Rhode Island	6.500	6.500	9.000	9.000	0.000	1	1	0	4.73	3.19	1	3.10	0	0	0.310	0.310	45,640
45 Iowa	5.837	7.633	9.900	9.900	0.000	1	1	0	3.49	2.99	1	4.94	1	0	0.220	0.235	49,145
46 New York	8.970	8.970	8.307	8.307	0.000	1	1	1	4.30	3.67	1	0.99	1	0	0.413	0.434	49,361
47 California	10.550	10.550	8.840	8.840	1.500	1	1	0	2.58	3.36	0	0.72	0	0	0.353	0.392	49,685
48 Maine	8.500	8.500	8.930	8.930	0.000	1	1	0	5.21	3.40	1	1.78	0	0	0.299	0.311	49,860
49 Minnesota	7.850	7.850	9.800	9.800	0.000	1	1	0	2.67	3.39	1	4.92	1	1	0.256	0.256	50,792
50 New Jersey	8.970	8.970	9.360	9.360	0.000	0	0	1	5.08	2.49	1	2.54	1	0	0.145	0.175	51,090
51 Dist. of Columbia	8.500	8.500	9.975	9.975	9.975	0	0	1	3.58	3.64	1	0.77	1	0	0.200	0.200	58,315