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2014 State Business Tax Burden Rankings

5th Installment

Anderson Economic Group Annual Report

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I. Executive Summary

PURPOSE

This report presents Anderson Economic Group’s annual state business tax burden rankings for all 50 states and the District of Columbia for the year 2012. We define the business tax burden as the total state and local taxes paid by businesses as a share of pre-tax operating margin, a measure of the funds from which businesses can pay the tax.

The purposes of this report are to:

- Identify the major state and local taxes paid by businesses,
- Estimate the total amount of state and local taxes paid in 2012 by business in each state,
- Estimate each state’s business tax burden in 2012 using state and local taxes paid as a share of business’ pre-tax operating margin, and
- Rank all 50 states and the District of Columbia by 2012 business tax burden.

The rankings and other information in this report will allow employers, policy makers, and other stakeholders to compare the tax burdens imposed on employers in different states.

OUR APPROACH

We quantify the burden of state and local taxes on businesses by estimating the actual amount of tax paid directly by business compared to business’s pre-tax operating margin (one measure of a business’s “ability to pay” these taxes).¹ This approach provides a comprehensive, objective measure of the state and local tax burden. We do not weight some taxes more than others, nor do we rely on any subjective assessments of which taxes or forms of taxation are better than others. We aggregate the tax burden across all industries within a state, though particular taxes have different effects on different industries.

We used over a dozen state and national sources to collect this information on 11 different categories of taxes, including property, income, sales, excise, license, severance, and other taxes. We fully describe our methods, and all data that we use is publicly available. See “Methodology” on page 8 for more information.

KEY FINDINGS

- US businesses paid \$613 billion in state and local taxes in 2012.
- Nationally, property taxes and general sales taxes make up the largest share of state and local business tax burden, accounting for 59% of total state and local taxes paid by business in 2012.
- Business tax burdens vary widely by state. The four lowest-burden states collected under 7% of business operating margin, while the four highest-burden states collected over 14% of operating margin.

1. We do not estimate the *incidence* of these taxes—the extent to which the tax burden is passed on to consumers, employees, and shareholders, respectively.

- Low tax burden states vary in their taxing behavior. Some, such as Oregon (ranked lowest), has the tenth-lowest property tax burden and no general sales tax, but is neither in the top ten nor the bottom ten states in any other major business tax category. Others, such as Louisiana (ranked 3rd lowest) have low taxes in some categories (such as property, corporate income, and unemployment taxes) but high taxes in others (severance and general sales taxes).
- High tax burden states include many states that place high severance taxes on resource extraction, including Alaska (ranked 51st), North Dakota (50th), New Mexico (49th), West Virginia (47th), and Wyoming (45th). Other high-tax states have high burdens in broader-based taxes, including Vermont (ranked 46th) and Maine (48th), both of which have relatively high property taxes and income taxes.
- The state whose position changed the most from 2011 to 2012 was New Mexico, who dropped from 40th to 49th in our rankings due to a considerable increase in sales tax collections. Close behind, Connecticut dropped from 14th to 21st place in our rankings after passing a package of tax changes in 2012 that contributed to an estimated increase in total taxes on business of \$1.2 billion.
- The two states that improved their position most in the rankings were New Jersey and California. California was one of only a few states that took in less revenue from business in 2012 than in 2011. The amount of taxes collected in New Jersey increased, but the gross operating surplus of businesses in that state also increased by over 8%, resulting in a lower tax burden.

TAXES PAID BY BUSINESS

Businesses pay many different taxes at the state and local level. We have identified 11 types of state and local taxes paid by business totaling \$613 billion for all state and local governments combined in 2012, as shown in Table 1.

TABLE 1. Total State and Local Taxes Paid by Businesses, 2012

Type of Tax	Total Taxes Paid (billions of \$)	% of Total
Property tax	\$237.2	38.7%
General sales tax	\$126.3	20.6%
Unemployment compensation tax	\$50.4	8.2%
Corporate income tax	\$49.7	8.1%
License fees	\$38.9	6.4%
Individual income tax on pass-thru business income	\$28.6	4.7%
Public utilities sales tax	\$28.3	4.6%
Selective sales tax	\$20.7	3.4%
Severance tax	\$17.4	2.8%
Motor fuel sales tax	\$8.3	1.4%
Gross receipts tax	\$7.1	1.2%
Total State and Local Taxes Paid by Businesses	\$613.1	100%

Source: Anderson Economic Group analysis and estimates, using base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Many focus on a state’s corporate income tax as the most important state or local tax on businesses. However, as shown in Table 1, of the 11 categories of state and local business tax we identify for all states combined, corporate income tax accounts for under 10% of the total business tax burden, well behind property tax and general sales tax.

STATE BUSINESS TAX BURDEN RANKINGS

We rank all 50 states and the District of Columbia on their respective business tax burdens. A rank of “1” indicates the state with the lowest tax burden. We define business tax burden as the share of pre-tax gross operating surplus (a measure of profits) paid in state and local taxes. Nationally, businesses had a 9.3% state and local business tax burden in 2012.

TABLE 2. States with Lowest and Highest Business Tax Burdens, 2012

Ten States with Lowest Business Tax Burdens			Ten States with Highest Business Tax Burdens		
Rank		Business Tax Burden	Rank		Business Tax Burden
1	Oregon	5.8%	42	Mississippi	11.9%
2	North Carolina	6.7%	43	Rhode Island	12.2%
3	Louisiana	6.9%	44	Florida	12.5%
4	Utah	6.9%	45	Wyoming	12.6%
5	Delaware	7.1%	46	Vermont	12.6%
6	Indiana	7.2%	47	West Virginia	14.0%
7	Georgia	7.6%	48	Maine	14.1%
8	Missouri	7.7%	49	New Mexico	14.7%
9	South Dakota	7.8%	50	North Dakota	14.8%
10	Nebraska	8.0%	51	Alaska	24.4%
<i>U.S. State Average</i>			<i>9.3%</i>		

Note: Rankings include the District of Columbia. Business tax burden is defined as the share of pre-tax gross operating surplus in the state paid in state and local taxes.

Source: Anderson Economic Group analysis and estimates using base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Ten States with Lowest Tax Burdens. The ten states with the lowest tax burdens vary in their characteristics and taxing behavior. Delaware is among the 10 states with the lowest tax burden on property, motor fuels, unemployment compensation, and general sales, but has by far the highest license fees as a proportion of pre-tax operating surplus. Oregon has no general sales tax and has the tenth-lowest property tax burden, but is otherwise not among the ten highest- or ten lowest-burden states in any of the major categories. Louisiana is among the ten highest-burden states in sales taxes and severance taxes, but is among the ten lowest in other major taxes such as property, corporate income, and unemployment compensation taxes.

Ten States with Highest Tax Burdens. The ten states with the highest tax burdens also vary in their taxing strategies. Alaska has low taxes in several categories, including no individual income or general sales taxes, but has by far the

highest severance taxes as a proportion of operating margin. As a result, businesses in non-extractive industries (which do not directly pay severance taxes) do not face a high tax burden in Alaska.

Maine is a relatively high-tax-burden state in several broader taxes, including property, fuel, individual income, and corporate income taxes. Similarly, Vermont has a relatively high burden due to property, fuel, individual income, corporate income, and unemployment compensation taxes, but low general sales taxes.

Change in Business Tax Burden from 2011

As one might expect in a growing economy, overall business tax revenues at the state and local level increased from 2011 to 2012, from \$587 billion to \$613 billion. Tax revenues have grown roughly in proportion to gross operating surplus, nationwide, such that the total burden of state and local taxes is virtually unchanged. In 2011, the business tax burden nationwide was 9.4%, while it was 9.3% in 2012.

Biggest Increase in Rankings. Among those states whose rankings increased the most, there were two states who moved up by seven slots in the rankings and three who moved up by four.

TABLE 3. Biggest Increase in Ranking from 2011 to 2012 (dollar amounts in millions)

State	2 0 1 2			2 0 1 1		
	Rank	Tax Burden	Business Taxes	Rank	Tax Burden	Business Taxes
California	14	8.2%	\$73,318	21	9.0%	\$76,857
New Jersey	31	10.0%	\$21,196	38	10.4%	\$20,497
North Carolina	2	6.7%	\$12,643	6	7.3%	\$12,828
Alabama	18	8.7%	\$6,498	22	9.0%	\$6,285
Michigan	28	9.8%	\$15,280	32	10.2%	\$15,201

Source: Anderson Economic Group analysis and estimates using base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

California and North Carolina were two of the few states who had a significant decrease in business taxes from 2011 to 2012. New Jersey and Alabama saw an increase in business tax collections, but had an improved ranking nonetheless because this increase coincided with an even greater increase in state gross operating surplus from 2011 to 2012. In 2012, Michigan made a change to the corporate tax structure that considerably reduced gross receipts taxes.

Biggest Drop in Rankings. New Mexico dropped from 40th to 49th in the rankings from 2011 to 2012. Not far behind was Connecticut, which dropped

seven spots, and Idaho, which dropped five. Four other states dropped four slots and aren't shown here.

TABLE 4. Biggest Drop in Ranking from 2011 to 2012 (dollar amounts in millions)

State	2 0 1 2			2 0 1 1		
	Rank	Tax Burden	Business Taxes	Rank	Tax Burden	Business Taxes
New Mexico	49	14.7%	\$5,302	40	11.0%	\$3,777
Connecticut	21	8.9%	\$9,104	14	8.2%	\$7,957
Idaho	20	8.9%	\$2,206	15	8.4%	\$2,037

Source: Anderson Economic Group analysis and estimates using base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

New Mexico was already among the highest business-tax-burden states in the country. From 2011 to 2012, the state had a considerable increase in sales tax revenues and a moderate increase in severance taxes, and now ranks 49th (out of 51). Connecticut passed extensive reforms during 2011 and the result has contributed to an increase in taxes on businesses of \$1.2 billion. Idaho's business tax burden increased by less than 10%, and the increase was rather broad-based, but the state's pre-tax gross operating surplus grew by a disappointing 2% in that same year.

II. About Anderson Economic Group

Anderson Economic Group LLC is a research and consulting firm with expertise in tax analysis, economics, public policy, financial valuation, and market research. We specialize in providing research and consulting in economics, finance, public policy, and market assessments. Our approach to work in these fields is based on our core principles of professionalism, integrity, and expertise.

We insist on a high level of integrity in our analyses, together with technical expertise in the field. For these reasons, work by Anderson Economic Group is commonly used in legislative hearings, legal proceedings, and executive strategy discussions.

Since our founding in 1996, our analysis has helped publicly-held corporations, private businesses, governments, and non-profit organizations. Our work has included markets throughout the United States, as well as in Canada, Mexico, and Barbados.

We have analyzed all 50 states in past tax burden studies and market analyses, as well as our book *The State Economic Handbook* (Palgrave Macmillan).

AEG's past clients include:

- Governments, such as the states of Michigan, North Carolina, and Wisconsin; the cities of Detroit, MI, Cincinnati, OH, Norfolk, VA, and Fort Wayne, IN; counties such as Oakland County, Michigan, and Collier County, Florida; and authorities such as the Detroit-Wayne County Port Authority.
- Corporations such as GM, Ford, Delphi, Honda, Metaldyne, Taubman Centers, The Detroit Lions, PG&E Generating, SBC, Gambrinus, Labatt USA, and InBev USA, automobile dealers and dealership groups representing Toyota, Honda, Chrysler, Mercedes-Benz, and other brands.
- Nonprofit organizations, such as Michigan State University, Wayne State University, Van Andel Institute, the Michigan Manufacturers Association, International Mass Retailers Association, American Automobile Manufacturers Association, Automation Alley, and the Michigan Chamber of Commerce.

Visit AEG's website at: www.AndersonEconomicGroup.com.

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Patrick L. Anderson. Mr. Anderson founded Anderson Economic Group in 1996, and serves as a Principal and Chief Executive Officer in the company. He has written over 100 published works, including the just-released *Economics of Business Valuation* from Stanford University Press. Two of his articles, “Pocketbook Issues and the Presidency” and “The Value of Private Businesses in the United States” have each been awarded for outstanding writing from the National Association of Business Economics.

CONTRIBUTORS

The following contributors assisted in data collection and analysis updates.

David Westlake. Mr. Westlake is an Analyst at Anderson Economic Group, working in the Public Policy and Economic Analysis practice area. His background is in energy and utility policy, as well as economic analysis.

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III. Methodology

Our approach to measuring the state and local tax burden is to estimate the total amount of state and local tax paid by businesses in each state and the District of Columbia, and divide it by a measure of business operating margin. This approach has the advantage of providing an objective measure which does not impose any external set of tax policy preferences. Our tax burden measure does not attempt to consider “fairness,” business decisions at the margin, the effects of different taxes on different types of business operations, or the incidence of any individual tax.

Our approach is laid out in more detail in the remainder of this section.

MEASURE OF GROSS OPERATING SURPLUS

To compare the tax burdens across different states, we divide the total state and local taxes paid in each state by pre-tax gross operating surplus for businesses within that state. We use the Bureau of Economic Analysis’ measure of gross operating surplus. This measure is very similar to net profits, including all business receipts minus the cost of inputs, compensation of employees, and taxes. What remains are corporate profits, proprietors’ income, and consumption of fixed capital (depreciation).

Thus, the only difference between gross operating surplus and a comprehensive measure of after-tax profits is that gross operating surplus does not exclude depreciation of fixed assets. We add back in state and local taxes in order to measure the tax impact as a share of *pre-tax* gross operating surplus. Note that our measure does not attempt to take out *federal* taxes, which are difficult to apportion on a state-by-state basis.

TAXES PAID BY BUSINESSES

Unless otherwise specified, all state tax collections data is from the U.S. Census of Governments 2012 Annual Survey of State Tax Collections. This source gives comparable tax and revenue data for all 50 states and the District of Columbia. We estimated tax collections for local governments based on 2011 figures reported in the Census of Governments State and Local Government Finances Survey, which we scaled based on 2011-12 growth in state collections.²

In order to estimate the total taxes paid by businesses, we used tax data from eight tax categories:

1. Property
2. License
3. Individual Income
4. Corporate Income

2. Detailed local tax collections data is released less promptly than state data. In order to produce more timely rankings, we estimated local tax collections. There are two exceptions to the method described here for estimating local tax collections in 2012. For property tax, we used growth in the 2011-12 statewide taxable value of property. For “Other selective sales tax,” we used the previous year’s (2011) value.

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5. Unemployment Compensation
6. Severance
7. General Sales and Gross Receipts
8. Selective Sales (motor fuels, public utilities, and other)

For each of the above categories, we allocated some portion of tax collections to businesses (as opposed to households) using the following methodology.

Property taxes. We estimated 2012 local property tax collections based on 2011-12 growth in the statewide taxable value of property. When state-level data was not available, we applied a national growth rate. We allocated the total estimated 2012 state and local property tax collections to businesses based on figures from the 2012 one-year American Community Survey. We calculated business share of property taxes paid as the residual of total property taxes collected in 2012 less property taxes paid on owner-occupied units. We treat rental housing as business property.

License taxes and fees. We allocated 100% of amusement, corporation, public utility, occupation and business, and alcoholic beverages license taxes and fees to businesses. We allocated motor vehicle and motor vehicle operator license taxes using the ratio of diesel fuel taxes to total fuel taxes.

Individual income tax on pass-through business income. Using data from the IRS Statistics on Income (SOI), we found the total adjusted gross income (AGI), total adjusted gross income over \$100,000, and the number of filers who have over \$100,000 in income. We also found these values for filers who receive personal income directly from businesses (S corporations, partnerships, and sole proprietorships). Business owners pay taxes on this income through their individual income tax returns.

We applied the state individual income tax rates in order to estimate the total income tax collected on business income. For the seven states that have a flat tax rate across all income brackets, we applied this flat rate to all business income for individuals (income from S corporations, proprietorships, and partnerships). For states that have a graduated income tax, we calculated an average effective rate on all income below \$100,000, using Census estimates for total income tax collected. We then applied this rate to all business income up to \$100,000, and applied the marginal rate for incomes at or above \$100,000 in each state to all business income above \$100,000. For this calculation, we assumed that owners' business income was evenly distributed among all their income. (That is, if someone had \$200,000 in total income, our model assumes that half of their business income was taxed at the average effective rate on income below \$100,000 and half of it was taxed at the top marginal rate.)

Corporate income tax. We allocated 100% of corporate income tax collections to businesses.

Unemployment compensation. We collected total unemployment compensation data from the Census State Tax Collections data. We used only revenues from

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employers. We allocated 100% of estimated state unemployment compensation tax collections to businesses.

Severance taxes. We allocate 100% of severance tax collections to businesses.

General sales taxes. We allocate general sales taxes to businesses based on the estimated share of taxable consumption attributable to businesses in each state.

We estimated business consumption of several hundred commodities by state using Bureau of Economic Analysis (BEA) data on KLEMS Intermediate Use and state gross domestic product by industry. Business consumption of each commodity was estimated by assuming that the share of consumption by each industry that occurred in a given state was equivalent to the share of that industry's national GDP produced in that state. KLEMS Intermediate Use data is no longer available by commodity for 2012 or later. We estimated 2012 numbers by multiplying 2011 data by the change in the larger KLEMS categories—energy, manufactured goods, and services.

We estimated household consumption of thousands of commodities by state using the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES) public use microdata and summary results. We used the 2012 CCH State Tax Handbook, data from the National Conference of State Legislators, and the web sites of tax and Treasury departments for various states to track which commodities were exempt or subject to special rates in each state.

Once we estimated the amount of taxable household consumption and business consumption, we could derive the share of total statewide taxable consumption that was attributable to businesses. We multiplied this share for each state by the total state and local general sales tax collections in 2012.

Gross receipts taxes. We used state government revenue data to isolate gross receipts tax collections in states that levy significant gross receipts taxes as part of their main business tax: Michigan, Ohio, Pennsylvania, Washington, and the District of Columbia.³ We allocated 100% of these gross receipts taxes to businesses. We allocated Hawaii's and New Mexico's gross receipt taxes to businesses based on the methodology for general sales tax since Hawaii and New Mexico explicitly allows businesses to recoup the gross receipts tax by applying a pseudo-sales tax to the final sale price of goods.

Motor fuel sales taxes. We estimated the amount of state gasoline and diesel fuel tax collected for each state in 2012 using data from the U.S. Department of Transportation, Federal Highway Administration (motor fuel usage and fuel tax rates). We allocated a portion of 2012 state and local collections to businesses based on the share of each state's total fuel tax collections attributable to diesel. We assumed that

3. District of Columbia's gross receipts taxes were not isolated in some earlier installments of this study, but most of this revenue was included in other tax categories that were partly or wholly allocated to businesses in prior years. Delaware also has a gross receipts tax, but this revenue is included in other tax categories that are partly or wholly allocated to businesses.

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companies, rather than households, generally purchase diesel and pay taxes on those purchases.

Public utilities tax. We allocated 100% of this category to businesses.

Other selective sales tax. This category captures state-specific sales taxes on items other than alcoholic beverages, tobacco, amusement, insurance, motor fuels, lottery, and public utilities. We divided this category evenly between households and businesses.

PREVIOUS YEAR'S RANKINGS AND DETAILED METHODOLOGY

The complete outline of AEG's 2006-08 methodology for apportioning taxes to businesses can be found in Patrick L. Anderson and Caroline M. Sallee, *Benchmarking for Success: A Comparison of State Business Taxes*, Anderson Economic Group (2006). Our method has changed for 2011 and 2012 estimates. Prior installments of this study are available on AEG's website.

DATA SOURCES

The complete list of data sources used in this report is as follows:

U.S. Census Bureau. 2011 State and Local Government Finances. *State & Local Summary Tables by Level of Government*. <http://www.census.gov/govs/local/>.

U.S. Census Bureau. *Annual Survey of State Government Tax Collections, 2012*. <http://factfinder2.census.gov/bkmk/table/1.0/en/STC/2012/STC001>.

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American Community Survey. U.S. Census Bureau. *Aggregate Real Estate Taxes Paid*. [http://www2.census.gov/acs2012_1yr/summaryfile/2012_ACSSF_All_In_1_Giant_File\(Experienced-Users-Only\)/All_Geographies.zip](http://www2.census.gov/acs2012_1yr/summaryfile/2012_ACSSF_All_In_1_Giant_File(Experienced-Users-Only)/All_Geographies.zip).

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2013 State Tax Handbook. CCH Press, 2013.

Bureau of Economic Analysis. U.S. Dept. of Commerce. *1998-2011 KLEMS Intermediate Use Estimates*.

Bureau of Labor Statistics. U.S. Dept. of Labor. *Consumer Expenditure Survey, Public Use Microdata, 2011*.

Information for Multiple States. *Sales & Use Tax Exemptions*. 2012. <http://www.sutexemptions.com/index.html>.

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U.S. Dept. of Transportation, Federal Highway Administration, "Highway Statistics 2012." <http://www.fhwa.dot.gov/policyinformation/statistics/2012/>.

Official reports on the taxable value of property and on commodity-specific general sales tax exemptions from all fifty states and the District of Columbia, where available.

IV. Data Appendix

Section Contents:

- Exhibit I, “AEG State Business Tax Burden Rankings, 2012”
- Exhibit II, “Total State and Local Taxes Paid by Business, 2012”
- Exhibit III, “State and Local Taxes Paid by Business, Share of Operating Margin, 2012”

Exhibit I. AEG State Business Tax Burden Rankings, 2012

Rank	State	Tax Collected from Business (millions)	Share of Pre-Tax Operating Surplus	2011 Rank	2011 Tax Burden
1	Oregon	\$6,008	5.8%	1	5.8%
2	North Carolina	\$12,643	6.7%	6	7.3%
3	Louisiana	\$8,979	6.9%	3	6.8%
4	Utah	\$3,985	6.9%	4	6.9%
5	Delaware	\$2,142	7.1%	2	6.8%
6	Indiana	\$9,926	7.2%	7	7.3%
7	Georgia	\$12,996	7.6%	10	7.8%
8	Missouri	\$7,994	7.7%	9	7.6%
9	South Dakota	\$1,726	7.8%	5	7.0%
10	Nebraska	\$3,720	8.0%	12	8.0%
11	Texas	\$56,046	8.0%	13	8.1%
12	Oklahoma	\$5,946	8.2%	8	7.4%
13	Maryland	\$9,880	8.2%	11	7.8%
14	California	\$73,318	8.2%	21	9.0%
15	Virginia	\$12,875	8.3%	18	8.5%
16	Ohio	\$18,862	8.5%	19	8.8%
17	Arkansas	\$4,531	8.6%	16	8.4%
18	Alabama	\$6,498	8.7%	22	9.0%
19	Iowa	\$6,326	8.9%	17	8.4%
20	Idaho	\$2,206	8.9%	15	8.4%
21	Connecticut	\$9,104	8.9%	14	8.2%
22	Kentucky	\$6,058	9.0%	20	8.9%
23	Massachusetts	\$14,457	9.2%	26	9.5%
24	Tennessee	\$10,287	9.3%	23	9.3%
25	Washington	\$14,958	9.3%	27	9.5%
26	Pennsylvania	\$23,354	9.5%	24	9.4%
27	Illinois	\$27,136	9.8%	25	9.4%
28	Michigan	\$15,280	9.8%	32	10.2%
29	Arizona	\$10,407	9.9%	31	10.1%
30	Colorado	\$11,289	9.9%	28	9.5%
31	New Jersey	\$21,196	10.0%	38	10.4%
32	Kansas	\$5,530	10.0%	29	9.7%
33	Minnesota	\$11,873	10.1%	33	10.3%
34	Nevada	\$5,636	10.2%	30	10.1%
35	Montana	\$1,897	10.3%	35	10.4%
36	South Carolina	\$7,000	10.5%	39	10.8%
37	Wisconsin	\$10,794	10.6%	36	10.4%
38	District of Columbia	\$3,125	10.8%	34	10.3%
39	Hawaii	\$2,910	10.9%	37	10.4%
40	New Hampshire	\$2,635	11.2%	42	11.9%
41	New York	\$60,789	11.6%	41	11.6%
42	Mississippi	\$4,692	11.9%	45	12.0%
43	Rhode Island	\$2,343	12.2%	44	12.0%
44	Florida	\$36,284	12.5%	46	13.0%
45	Wyoming	\$2,854	12.6%	43	11.9%
46	Vermont	\$1,311	13.1%	48	13.1%
47	West Virginia	\$3,783	14.0%	47	13.1%
48	Maine	\$2,676	14.1%	49	14.0%
49	New Mexico	\$5,302	14.7%	40	11.0%
50	North Dakota	\$3,644	14.8%	50	17.5%
51	Alaska	\$7,871	24.4%	51	20.6%

Source: Anderson Economic Group estimates and analysis of base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Exhibit II. State and Local Taxes Paid by Business, FY 2012

(amount in thousands)

State	Property Tax	Motor Fuel Sales Tax	Public Utilities Sales Tax	Other Selective Sales Tax	Corporate Income Tax	License Fees	Unemployment compensation	Individual income tax on pass-thru business income	Severance	Gross Receipts Taxes	General Sales Taxes	Total Taxes Paid by Businesses
<i>United States</i>	\$ 237,217,471	\$ 8,314,824	\$ 28,298,105	\$ 20,744,952	\$ 49,747,494	\$ 38,941,028	\$ 50,399,357	\$ 28,602,053	\$ 17,420,438	\$ 7,141,964	\$ 126,252,736	\$ 613,080,422
Alabama	\$ 1,777,344	\$ 140,777	\$ 789,568	\$ 293,530	\$ 413,253	\$ 718,629	\$ 515,295	\$ 316,924	\$ 119,138	\$ -	\$ 1,413,323	\$ 6,497,781
Alaska	\$ 1,077,651	\$ 17,977	\$ 4,634	\$ 37,403	\$ 663,144	\$ 74,072	\$ 206,644	\$ -	\$ 5,789,758	\$ -	\$ -	\$ 7,871,282
Arizona	\$ 4,832,945	\$ 266,593	\$ 193,806	\$ 120,272	\$ 647,809	\$ 320,663	\$ 430,941	\$ 290,284	\$ 40,578	\$ -	\$ 3,262,650	\$ 10,406,540
Arkansas	\$ 1,158,904	\$ 143,276	\$ 150,079	\$ 133,476	\$ 404,083	\$ 230,023	\$ 438,132	\$ 199,995	\$ 82,770	\$ -	\$ 1,590,082	\$ 4,530,819
California	\$ 28,664,165	\$ 276,855	\$ 3,852,695	\$ 922,229	\$ 7,949,000	\$ 6,643,805	\$ 6,201,491	\$ 4,835,466	\$ 37,140	\$ -	\$ 13,935,310	\$ 73,318,155
Colorado	\$ 6,008,594	\$ 123,166	\$ 144,995	\$ 386,070	\$ 492,224	\$ 291,067	\$ 831,704	\$ 455,758	\$ 179,763	\$ -	\$ 2,375,430	\$ 11,288,770
Connecticut	\$ 4,095,638	\$ 131,940	\$ 331,015	\$ 506,220	\$ 628,882	\$ 204,193	\$ 865,727	\$ 703,639	\$ 64	\$ -	\$ 1,637,135	\$ 9,104,452
Delaware	\$ 336,258	\$ 13,232	\$ 65,353	\$ 47,706	\$ 266,075	\$ 1,183,160	\$ 144,273	\$ 86,011	\$ -	\$ -	\$ -	\$ 2,142,067
District of Columbia	\$ 1,370,547	\$ 3,322	\$ 139,768	\$ 6,661	\$ 465,896	\$ 10,599	\$ 133,618	\$ 156,753	\$ -	\$ 230,282	\$ 607,703	\$ 3,125,149
Florida	\$ 15,484,671	\$ 451,258	\$ 5,100,469	\$ 642,506	\$ 2,003,490	\$ 1,806,266	\$ 2,199,071	\$ -	\$ 49,860	\$ -	\$ 8,546,613	\$ 36,284,203
Georgia	\$ 6,353,167	\$ 197,882	\$ 385,290	\$ 258,520	\$ 590,676	\$ 434,646	\$ 839,031	\$ 757,344	\$ -	\$ -	\$ 3,179,847	\$ 12,996,403
Hawaii	\$ 918,991	\$ 16,778	\$ 305,656	\$ 173,299	\$ 80,256	\$ 112,958	\$ 317,130	\$ 158,921	\$ -	\$ -	\$ 826,085	\$ 2,910,074
Idaho	\$ 801,322	\$ 63,578	\$ 33,275	\$ 36,696	\$ 188,589	\$ 164,002	\$ 329,523	\$ 156,424	\$ 8,309	\$ -	\$ 423,919	\$ 2,205,636
Illinois	\$ 10,045,184	\$ 377,222	\$ 2,780,634	\$ 1,134,027	\$ 3,494,539	\$ 1,271,726	\$ 3,243,779	\$ 1,387,380	\$ -	\$ -	\$ 3,401,695	\$ 27,136,187
Indiana	\$ 4,069,163	\$ 222,973	\$ 268,361	\$ 397,184	\$ 794,508	\$ 260,779	\$ 802,107	\$ 563,165	\$ 2,212	\$ -	\$ 2,545,615	\$ 9,926,067
Iowa	\$ 2,499,660	\$ 132,619	\$ 168,703	\$ 34,592	\$ 425,776	\$ 349,159	\$ 655,028	\$ 351,344	\$ -	\$ -	\$ 1,708,833	\$ 6,325,714
Kansas	\$ 2,379,288	\$ 126,080	\$ 146,097	\$ 32,521	\$ 317,578	\$ 147,885	\$ 434,238	\$ 297,258	\$ 132,907	\$ -	\$ 1,515,734	\$ 5,529,585
Kentucky	\$ 1,656,928	\$ 191,475	\$ 386,513	\$ 310,333	\$ 696,877	\$ 317,983	\$ 510,031	\$ 403,478	\$ 346,368	\$ -	\$ 1,237,734	\$ 6,057,721
Louisiana	\$ 2,625,760	\$ 132,806	\$ 259,329	\$ 160,886	\$ 290,389	\$ 396,060	\$ 249,305	\$ 369,337	\$ 885,982	\$ -	\$ 3,609,315	\$ 8,979,169
Maine	\$ 1,451,087	\$ 54,819	\$ 34,561	\$ 58,548	\$ 232,118	\$ 145,252	\$ 178,897	\$ 145,094	\$ -	\$ -	\$ 375,157	\$ 2,675,533
Maryland	\$ 3,491,641	\$ 118,597	\$ 609,602	\$ 749,448	\$ 880,356	\$ 407,064	\$ 1,117,981	\$ 1,010,571	\$ -	\$ -	\$ 1,495,199	\$ 9,880,459
Massachusetts	\$ 6,516,691	\$ 88,504	\$ 23,925	\$ 393,093	\$ 2,001,780	\$ 389,996	\$ 1,935,282	\$ 1,223,795	\$ -	\$ -	\$ 1,883,895	\$ 14,456,961
Michigan	\$ 7,259,292	\$ 122,028	\$ 96,269	\$ 620,984	\$ 804,037	\$ 460,351	\$ 1,924,091	\$ 676,679	\$ 63,602	\$ 517,745	\$ 2,734,750	\$ 15,279,828
Minnesota	\$ 4,477,039	\$ 179,350	\$ 99,980	\$ 1,251,320	\$ 1,066,022	\$ 550,007	\$ 1,346,277	\$ 778,286	\$ 47,178	\$ -	\$ 2,078,026	\$ 11,873,483
Mississippi	\$ 1,935,635	\$ 107,752	\$ 55,098	\$ 192,615	\$ 395,679	\$ 316,252	\$ 280,215	\$ 175,702	\$ 116,379	\$ -	\$ 1,116,985	\$ 4,692,311
Missouri	\$ 3,230,967	\$ 168,265	\$ 511,500	\$ 148,603	\$ 361,202	\$ 405,184	\$ 688,823	\$ 525,461	\$ 2	\$ -	\$ 1,954,043	\$ 7,994,050
Montana	\$ 867,317	\$ 73,637	\$ 49,740	\$ 23,059	\$ 132,361	\$ 167,284	\$ 157,865	\$ 119,892	\$ 305,617	\$ -	\$ -	\$ 1,896,771
Nebraska	\$ 1,601,553	\$ 99,667	\$ 116,406	\$ 14,692	\$ 234,296	\$ 151,571	\$ 205,336	\$ 203,930	\$ 5,355	\$ -	\$ 1,087,414	\$ 3,720,219
Nevada	\$ 2,044,497	\$ 89,380	\$ 276,581	\$ 227,548	\$ -	\$ 585,900	\$ 490,322	\$ -	\$ 303,038	\$ -	\$ 1,618,580	\$ 5,635,845
New Hampshire	\$ 1,448,730	\$ 16,720	\$ 83,884	\$ 173,877	\$ 521,309	\$ 160,431	\$ 230,338	\$ -	\$ -	\$ -	\$ -	\$ 2,635,289
New Jersey	\$ 9,739,976	\$ 107,682	\$ 1,007,359	\$ 404,007	\$ 1,929,133	\$ 869,130	\$ 2,950,891	\$ 932,363	\$ -	\$ -	\$ 3,255,391	\$ 21,195,931
New Mexico	\$ 706,243	\$ 93,419	\$ 73,888	\$ 73,362	\$ 281,047	\$ 125,192	\$ 215,433	\$ 99,933	\$ 767,736	\$ -	\$ 2,865,259	\$ 5,301,513
New York	\$ 24,866,678	\$ 300,437	\$ 1,770,445	\$ 3,168,191	\$ 11,565,547	\$ 695,310	\$ 3,269,588	\$ 4,526,107	\$ -	\$ -	\$ 10,626,372	\$ 60,788,676
North Carolina	\$ 4,732,789	\$ 338,013	\$ 381,937	\$ 401,758	\$ 1,220,072	\$ 957,439	\$ 1,018,852	\$ 915,450	\$ 1,562	\$ -	\$ 2,674,938	\$ 12,642,809
North Dakota	\$ 382,203	\$ 94,679	\$ 50,006	\$ 74,858	\$ 215,622	\$ 117,335	\$ 97,095	\$ 64,739	\$ 1,713,500	\$ -	\$ 833,470	\$ 3,643,505
Ohio	\$ 5,831,779	\$ 384,614	\$ 1,070,550	\$ 404,669	\$ 168,476	\$ 2,979,462	\$ 1,513,136	\$ 1,222,836	\$ 10,182	\$ 1,598,162	\$ 3,677,854	\$ 18,861,719
Oklahoma	\$ 1,069,827	\$ 117,221	\$ 208,821	\$ 103,762	\$ 446,009	\$ 562,213	\$ 542,802	\$ 321,616	\$ 848,947	\$ -	\$ 1,724,744	\$ 5,945,962
Oregon	\$ 2,571,887	\$ 135,982	\$ 327,098	\$ 261,406	\$ 478,019	\$ 584,214	\$ 1,045,466	\$ 589,639	\$ 14,119	\$ -	\$ -	\$ 6,007,830
Pennsylvania	\$ 6,759,690	\$ 537,388	\$ 1,417,965	\$ 613,419	\$ 2,116,446	\$ 2,463,818	\$ 3,085,609	\$ 1,154,117	\$ -	\$ 1,665,022	\$ 3,540,188	\$ 23,353,660
Rhode Island	\$ 1,232,445	\$ 11,008	\$ 101,408	\$ 111,796	\$ 136,362	\$ 68,913	\$ 255,333	\$ 104,255	\$ -	\$ -	\$ 321,648	\$ 2,343,166
South Carolina	\$ 3,619,239	\$ 106,649	\$ 53,392	\$ 263,970	\$ 252,904	\$ 618,478	\$ 543,866	\$ 291,227	\$ -	\$ -	\$ 1,250,157	\$ 6,999,883
South Dakota	\$ 554,806	\$ 44,905	\$ 17,273	\$ 38,945	\$ 59,837	\$ 169,934	\$ 49,739	\$ -	\$ 13,759	\$ -	\$ 776,782	\$ 1,725,979
Tennessee	\$ 2,926,496	\$ 160,494	\$ 83,195	\$ 370,122	\$ 1,115,383	\$ 1,288,186	\$ 776,180	\$ -	\$ 9,636	\$ -	\$ 3,557,498	\$ 10,287,189
Texas	\$ 22,924,001	\$ 835,136	\$ 1,786,551	\$ 2,868,915	\$ -	\$ 5,956,651	\$ 2,796,983	\$ -	\$ 3,655,582	\$ -	\$ 15,222,643	\$ 56,046,461
Utah	\$ 1,550,921	\$ 113,384	\$ 147,612	\$ 176,067	\$ 258,578	\$ 129,668	\$ 346,235	\$ 244,493	\$ 107,075	\$ -	\$ 910,880	\$ 3,984,915
Vermont	\$ 647,029	\$ 23,308	\$ 15,397	\$ 174,957	\$ 96,579	\$ 32,343	\$ 130,908	\$ 62,757	\$ -	\$ -	\$ 127,622	\$ 1,310,900
Virginia	\$ 6,123,279	\$ 178,168	\$ 690,036	\$ 653,513	\$ 838,790	\$ 1,068,250	\$ 777,413	\$ 877,771	\$ 117,430	\$ -	\$ 1,550,069	\$ 12,874,718
Washington	\$ 3,821,082	\$ 218,482	\$ 1,026,378	\$ 573,704	\$ -	\$ 639,556	\$ 1,455,802	\$ -	\$ 44,023	\$ 3,130,753	\$ 4,048,329	\$ 14,958,109
West Virginia	\$ 1,076,439	\$ 103,365	\$ 183,681	\$ 236,068	\$ 192,385	\$ 178,503	\$ 233,942	\$ 145,596	\$ 627,330	\$ -	\$ 805,772	\$ 3,783,080
Wisconsin	\$ 4,567,889	\$ 229,101	\$ 388,205	\$ 275,231	\$ 934,103	\$ 675,953	\$ 1,256,955	\$ 700,264	\$ 5,013	\$ -	\$ 1,760,792	\$ 10,793,505
Wyoming	\$ 1,032,147	\$ 32,859	\$ 33,123	\$ 8,329	\$ -	\$ 83,512	\$ 134,634	\$ -	\$ 968,525	\$ -	\$ 561,260	\$ 2,854,388

Source: AEG Estimates, using base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Analysis: Anderson Economic Group, LLC

Note: Due to the nature of New Mexico's gross receipts tax, we show it here as a general sales tax and determine the amount paid by business using the same method as for general sales taxes in other states.

Exhibit III. State and Local Taxes Paid by Business, Share of Pre-Tax Gross Operating Surplus, 2012

(Taxes Paid by Business as a Share of Pre-Tax Gross Operating Surplus)

State	Property Tax	Motor Fuel Sales Tax	Public Utilities Sales Tax	Other Selective Sales Tax	Corporate Income Tax	License Fees	Unemployment compensation	Individual income tax on pass-thru business income	Severance	Gross Receipts Taxes	General Sales Taxes	Total
United States	3.6%	0.1%	0.4%	0.3%	0.8%	0.6%	0.8%	0.4%	0.3%	0.1%	1.9%	9.3%
Alabama	2.4%	0.2%	1.1%	0.4%	0.6%	1.0%	0.7%	0.4%	0.2%	0.0%	1.9%	8.7%
Alaska	3.3%	0.1%	0.0%	0.1%	2.1%	0.2%	0.6%	0.0%	17.9%	0.0%	0.0%	24.4%
Arizona	4.6%	0.3%	0.2%	0.1%	0.6%	0.3%	0.4%	0.3%	0.0%	0.0%	3.1%	9.9%
Arkansas	2.2%	0.3%	0.3%	0.3%	0.8%	0.4%	0.8%	0.4%	0.2%	0.0%	3.0%	8.6%
California	3.2%	0.0%	0.4%	0.1%	0.9%	0.7%	0.7%	0.5%	0.0%	0.0%	1.6%	8.2%
Colorado	5.3%	0.1%	0.1%	0.3%	0.4%	0.3%	0.7%	0.4%	0.2%	0.0%	2.1%	9.9%
Connecticut	4.0%	0.1%	0.3%	0.5%	0.6%	0.2%	0.8%	0.7%	0.0%	0.0%	1.6%	8.9%
Delaware	1.1%	0.0%	0.2%	0.2%	0.9%	3.9%	0.5%	0.3%	0.0%	0.0%	0.0%	7.1%
District of Columbia	4.7%	0.0%	0.5%	0.0%	1.6%	0.0%	0.5%	0.5%	0.0%	0.8%	2.1%	10.8%
Florida	5.3%	0.2%	1.8%	0.2%	0.7%	0.6%	0.8%	0.0%	0.0%	0.0%	2.9%	12.5%
Georgia	3.7%	0.1%	0.2%	0.3%	0.3%	0.3%	0.5%	0.4%	0.0%	0.0%	1.9%	7.6%
Hawaii	3.4%	0.1%	1.1%	0.6%	0.3%	0.4%	1.2%	0.6%	0.0%	0.0%	3.1%	10.9%
Idaho	3.2%	0.3%	0.1%	0.1%	0.8%	0.7%	1.3%	0.6%	0.0%	0.0%	1.7%	8.9%
Illinois	3.6%	0.1%	1.0%	0.4%	1.3%	0.5%	1.2%	0.5%	0.0%	0.0%	1.2%	9.8%
Indiana	3.0%	0.2%	0.2%	0.3%	0.6%	0.2%	0.6%	0.4%	0.0%	0.0%	1.9%	7.2%
Iowa	3.5%	0.2%	0.2%	0.0%	0.6%	0.5%	0.9%	0.5%	0.0%	0.0%	2.4%	8.9%
Kansas	4.3%	0.2%	0.3%	0.1%	0.6%	0.3%	0.8%	0.5%	0.2%	0.0%	2.7%	10.0%
Kentucky	2.4%	0.3%	0.6%	0.5%	1.0%	0.5%	0.8%	0.6%	0.5%	0.0%	1.8%	9.0%
Louisiana	2.0%	0.1%	0.2%	0.3%	0.2%	0.3%	0.2%	0.3%	0.7%	0.0%	2.8%	6.9%
Maine	7.7%	0.3%	0.2%	0.3%	1.2%	0.8%	0.9%	0.8%	0.0%	0.0%	2.0%	14.1%
Maryland	2.9%	0.1%	0.5%	0.6%	0.7%	0.3%	0.9%	0.8%	0.0%	0.0%	1.2%	8.2%
Massachusetts	4.2%	0.1%	0.0%	0.3%	1.3%	0.2%	1.2%	0.8%	0.0%	0.0%	1.2%	9.2%
Michigan	4.7%	0.1%	0.1%	0.4%	0.5%	0.3%	1.2%	0.4%	0.0%	0.3%	1.8%	9.8%
Minnesota	3.8%	0.2%	0.1%	1.1%	0.9%	0.5%	1.1%	0.7%	0.0%	0.0%	1.8%	10.1%
Mississippi	4.9%	0.3%	0.1%	0.5%	1.0%	0.8%	0.7%	0.4%	0.3%	0.0%	2.8%	11.9%
Missouri	3.1%	0.2%	0.5%	0.1%	0.3%	0.4%	0.7%	0.5%	0.0%	0.0%	1.9%	7.7%
Montana	4.7%	0.4%	0.3%	0.1%	0.7%	0.9%	0.9%	0.7%	0.0%	0.0%	0.0%	10.3%
Nebraska	3.4%	0.2%	0.2%	0.0%	0.5%	0.3%	0.4%	0.4%	0.0%	0.0%	2.3%	8.0%
Nevada	3.7%	0.2%	0.5%	0.4%	0.0%	1.1%	0.9%	0.0%	0.5%	0.0%	2.9%	10.2%
New Hampshire	6.2%	0.1%	0.4%	0.7%	2.2%	0.7%	1.0%	0.0%	0.0%	0.0%	0.0%	11.2%
New Jersey	4.6%	0.1%	0.5%	0.2%	0.9%	0.4%	1.4%	0.4%	0.0%	0.0%	1.5%	10.0%
New Mexico	2.0%	0.3%	0.2%	0.2%	0.8%	0.3%	0.6%	0.3%	2.1%	0.0%	8.0%	14.7%
New York	4.7%	0.1%	0.3%	0.6%	2.2%	0.1%	0.6%	0.9%	0.0%	0.0%	2.0%	11.6%
North Carolina	2.5%	0.2%	0.2%	0.2%	0.6%	0.5%	0.5%	0.5%	0.0%	0.0%	1.4%	6.7%
North Dakota	1.6%	0.4%	0.2%	0.3%	0.9%	0.5%	0.4%	0.3%	7.0%	0.0%	3.4%	14.8%
Ohio	2.6%	0.2%	0.5%	0.2%	0.1%	1.3%	0.7%	0.6%	0.0%	0.7%	1.7%	8.5%
Oklahoma	1.5%	0.2%	0.3%	0.1%	0.6%	0.8%	0.7%	0.4%	1.2%	0.0%	2.4%	8.2%
Oregon	2.5%	0.1%	0.3%	0.3%	0.5%	0.6%	1.0%	0.6%	0.0%	0.0%	0.0%	5.8%
Pennsylvania	2.8%	0.2%	0.6%	0.3%	0.9%	1.0%	1.3%	0.5%	0.0%	0.7%	1.4%	9.5%
Rhode Island	6.4%	0.1%	0.5%	0.6%	0.7%	0.4%	1.3%	0.5%	0.0%	0.0%	1.7%	12.2%
South Carolina	5.4%	0.2%	0.1%	0.4%	0.4%	0.9%	0.8%	0.4%	0.0%	0.0%	1.9%	10.5%
South Dakota	2.5%	0.2%	0.1%	0.2%	0.3%	0.8%	0.2%	0.0%	0.1%	0.0%	3.5%	7.8%
Tennessee	2.6%	0.1%	0.1%	0.3%	1.0%	1.2%	0.7%	0.0%	0.0%	0.0%	3.2%	9.3%
Texas	3.3%	0.1%	0.3%	0.4%	0.0%	0.8%	0.4%	0.0%	0.5%	0.0%	2.2%	8.0%
Utah	2.7%	0.2%	0.3%	0.3%	0.4%	0.2%	0.6%	0.4%	0.2%	0.0%	1.6%	6.9%
Vermont	6.5%	0.2%	0.2%	1.8%	1.0%	0.3%	1.3%	0.6%	0.0%	0.0%	1.3%	13.1%
Virginia	3.9%	0.1%	0.4%	0.4%	0.5%	0.7%	0.5%	0.6%	0.1%	0.0%	1.0%	8.3%
Washington	2.4%	0.1%	0.6%	0.4%	0.0%	0.4%	0.9%	0.0%	2.0%	0.0%	2.5%	9.3%
West Virginia	4.0%	0.4%	0.7%	0.9%	0.7%	0.7%	0.9%	0.5%	2.3%	0.0%	3.0%	14.0%
Wisconsin	4.5%	0.2%	0.4%	0.3%	0.9%	0.7%	1.2%	0.7%	0.0%	0.0%	1.7%	10.6%
Wyoming	4.5%	0.1%	0.1%	0.0%	0.0%	0.4%	0.6%	0.0%	4.3%	0.0%	2.5%	12.6%

Legend:

10 Lowest Tax States

10 Highest Tax States

Source: AEG Estimates, using base data from U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Analysis: Anderson Economic Group, LLC

Note: Due to the nature of New Mexico's gross receipts tax, we show it here as a general sales tax and determine the amount paid by business using the same method as for general sales taxes in other states.