SMALL BUSINESS POLICY INDEX 2013:

RANKING THE STATES ON POLICY MEASURES AND COSTS IMPACTING SMALL BUSINESS AND ENTREPRENEURSHIP

18th Annual Edition

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December 2013

Small Business Policy Index 2013: State Rankings

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

Rank	State	Rank	State
1	South Dakota	26	Missouri
2	Nevada	27	New Mexico
3	Texas	28	West Virginia
4	Wyoming	29	Wisconsin
5	Florida	30	Kentucky
6	Washington	31	North Carolina
7	Alabama	32	Idaho
8	Indiana	33	Montana
9	Ohio	34	Delaware
10	Utah	35	Illinois
11	Michigan	36	Arkansas
12	North Dakota	37	Maryland
13	Arizona	38	Massachusetts
14	Colorado	39	Nebraska
15	Virginia	40	Rhode Island
16	Mississippi	41	Connecticut
17	South Carolina	42	Oregon
18	Tennessee	43	Iowa
19	New Hampshire	44	Maine
20	Alaska	45	Minnesota
21	Louisiana	46	Hawaii
22	Georgia	47	New York
23	Kansas	48	Vermont
24	Oklahoma	49	New Jersey
25	Pennsylvania	50	California

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Introduction: Economic Reality vs. Government Policy Costs

The "Small Business Policy Index: Ranking the States on Policy Measures and Costs Impacting Small Business and Entrepreneurship" (formerly the "U.S. Business Policy Index" and the "Small Business Survival Index") examines the 50 states according to various major government-imposed or government-related costs that directly or indirectly affect entrepreneurship and business, as well as the investment that is so critical to start-ups and businesses looking to grow. The 2013 edition is the 18th annual Index published by the Small Business & Entrepreneurship Council.

To sum up, the Index ranks the states according to their public policy climates for the risk taking that drives economic growth and job creation.

Of the 47 measures included in the 2013 edition of the Index, 22 are taxes or tax related, 14 relate to regulations, five deal with government spending and debt issues, with the rest gauging the effectiveness of various important government undertakings.

Most business owners understand quite well the various costs and burdens imposed by government. Taxes and regulations, for example, drain enterprises of vital resources, distort decision-making, and redirect resources and energies away from maintaining, improving and/or expanding a business.

Unfortunately, too many elected officials, policy advisers, and special interest advocates choose to ignore the economic realities of how government can and does affect entrepreneurship, business and investment. Some even go so far as to argue that such measures as taxes and regulations simply do not matter to business growth, job creation, and our overall economic well-being. Occasionally, they even dig up an economist who is willing to put aside economic facts and common sense to peddle such misguided notions. They attempt to challenge reports like the "U.S. Business Policy Index" by discarding the basic tenets of sound economics in favor of political fantasies.

Political fantasies involving higher taxes, increased regulation, and much higher levels of government spending and debt, as we have learned at the federal level over the past nearly seven years, do not serve our economy well. The same goes, of course, at the state and local levels.

In this report, we explain, in logical, common sense fashion, why each measure is included, and we cite a wide array of studies that reinforce the fundamental economic thinking and principles that underlie this entire effort. In the end, the greater the governmental burdens – via taxes, regulations, spending, debt, and failures to adequately execute the essential duties of government – the greater the negatives for economic risk taking, and growth in the economy, income and jobs. That's not just the case at the federal level, but in the states as well – and that is what the "U.S. Business Policy Index" deals with carefully and in depth. This Index pits economic reality against government and political fantasies.

The Measures: What's Included and Why

The "Small Business Policy Index 2013" (this is the eighteenth year that SBE Council has done this type of analysis, though previous year's results are not comparable to the current year due to revisions and expansion) ties together 47 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 affecting relative costs, and crucial economic decisions and activities. In fact, the personal income tax influences business far more than generally assumed because more than 92 percent of businesses file taxes as individuals (e.g., sole proprietorship, partnerships and S-Corps.), and therefore pay personal income taxes rather than corporate income taxes.

Measurement in the Small Business Policy Index: state's top personal income tax rate.[1]

• **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 reducing 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 Policy Index: state's top capital gains tax rate on individuals.[2]

• **Individual Dividends and Interest Tax.** Diminishing the returns on saving and investment is counterproductive to economic growth. Quite simply, higher tax rates on dividends and interest mean reduced resources and incentives for saving and investment, which in turn, works against entrepreneurship, economic growth and job creation.

Measurement in the Small Business Policy Index: state's top tax rate on dividends and interest earned.[3]

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[1] Data Source: CCH Incorporated, *2013 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.

[2] Data Source: CCH Incorporated, *2013 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

[3] Data Source: CCH Incorporated, *2013 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: 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 Policy Index: state's top corporate income tax rate.[4]

• **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 Policy Index: state's top capital gains tax rate on corporations.[5]

• **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 added tax. Such an additional income tax raises costs, restrains investment, and hurts the state's competitiveness.

Measurement in the Small Business Policy Index: additional income tax imposed on S-Corporations beyond the top personal income tax rate.[6]

• **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 Policy 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").[7]

• **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.

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[4] Data Source: CCH Incorporated, *2013 State Tax Handbook*, the Federation of Tax Administrators, and state specific sources. Note: Corporate income tax rates reflect deductibility of federal income taxes in certain states.
[5] Data Source: CCH Incorporated, *2013 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.
[6] Data Source: CCH Incorporated, *2013 State Tax Handbook*, and state specific sources.
[7] Data Source: CCH Incorporated, *2013 State Tax Handbook*, and state specific sources.

Measurement in the Small Business Policy 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").[8]

• **Indexing Personal Income Tax Brackets.** Indexing income tax brackets for inflation is a positive measure ensuring 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 Policy 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").[9]

• **Personal Income Tax Progressivity.** Progressive taxation means that as one's income rises, so does the marginal tax rate paid on additional earnings. Progressivity effectively punishes economic success, and therefore, also punishes and discourages the important and risky endeavors that create economic growth and jobs.

Measurement in the Small Business Policy Index: progressivity of personal income tax rates measured by the difference between the top tax rate and the bottom tax rate.[10]

• **Corporate Income Tax Progressivity.** As noted previously, progressive taxation means that as income rises, so does the marginal tax rate paid on additional earnings. Progressivity effectively punishes economic success, and therefore, also punishes and discourages the important and risky endeavors that create economic growth and jobs.

Measurement in the Small Business Policy Index: progressivity of corporate income tax rates measured by the difference between the top tax rate and the bottom tax rate.[11]

• **Property Taxes.** Property taxes influence the relative costs, and the 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 Policy Index: state and local property taxes (2010-11 property taxes as a share of personal income).[12]

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[8] Data Source: CCH Incorporated, *2013 State Tax Handbook*, and state specific sources.
[9] Data Source: The Federation of Tax Administrators website at www.taxadmin.org.
[10] Data Source: The Federation of Tax Administrators website at www.taxadmin.org, with some rates updated.
[11] Data Source: The Federation of Tax Administrators website at www.taxadmin.org, with some rates updated.
[12] 2010-11 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 Policy Index: state and local sales, gross receipts and excise taxes (2010-11 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).[13]

• **Death Taxes.** The federal government levies a death tax, but so do various states. Death taxes have several problems. In terms of fairness, individuals pay a staggering array of taxes, including on business earnings, over a lifetime, but then face another tax on 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 Policy Index: state death taxes (states levying estate or inheritance taxes receive a score of "5" and states that do not receive a score of "0").[14]

• **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 Policy 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.[15]

• **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. That's a positive for a state's business and economic climate. For example, 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.

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[13] 2010-11 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.
[14] Data Source: "McGuireWoods LLP State Death Tax Chart," McGuireWoods LLP, July 24, 2013.
[15] Data Source: U.S. Bureau of Labor Statistics, including "Significant Provisions of State Unemployment Insurance Laws Effective January 2013."

Measurement in the Small Business Policy Index: tax limitation status (states without some form of tax limitation check receive a score of "1," and states with some kind of substantive tax limitation check receive a score of "0").[16]

• **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 Policy Index: Internet access tax (states without such a sales access tax score "0," and states with such taxes score "1").[17]

• **Remote Seller Taxes.** A remote seller tax (formerly called "Amazon taxes" in previous reports) requires that out-of-state businesses collect sales taxes imposed by in-state governmental entities. This is an added cost and tax on a host of entrepreneurs and small businesses operating online.

Measurement in the Small Business Policy Index: Remote seller tax (states without such a sales tax score "0," and states with such a tax score "1").[18]

• **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 Policy Index: state gas tax (dollars per gallon).[19]

• **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 Policy Index: state diesel tax (dollars per gallon).[20]

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[16] Source: National Conference of State Legislatures at www.ncsl.org.

[17] Steven Maguire and Nonna Noto, "Internet Taxation: Issues and Legislation in the 109th Congress," CRS Report for Congress, February 2, 2006, and Daniel Castro, "The Case for Tax-Free Internet Access: A Primer on the Internet Tax Freedom Act," The Information Technology & Innovation Foundation, June 2007. Updated via an assortment of media reports.

[18] Data Sources: Joseph Henchman, "'Amazon Tax' Laws Signal Business Unfriendliness And Will Worsen Short-Term Budget Problems," The Tax Foundation, March 2010; Stu Wood, "Amazon Battles States Over Sales Tax," *The Wall Street Journal*, August 3, 2011; and The Tax Foundation and National Taxpayers Union brief filed with the U.S. Supreme Court on September 23, 2013, in *Overstock.com, Inc., and Amazon.com LLC and Amazon Services LLC, v. New York State Division of Taxation and Finance, et al.*

[19] Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," October 8, 2013, American Petroleum Institute.

[20] Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," October 8, 2013, American Petroleum Institute.

• **Wireless Tax.** Wireless users – entrepreneurs, small businesses, families and individuals – face high and discriminatory taxes across much of the nation. Such taxes impede investment in wireless infrastructure, hit low and middle-income earners hard, discourage deployment and adoption of broadband services, and are an additional cost on entrepreneurs.

Measurement in the Small Business Policy Index: wireless sales taxes (an index of wireless sales taxes, which is then adjusted to 10 percent of the index value).[21]

• **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 Policy 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."[22]

• **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 Policy 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").[23]

• **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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[21] Source: Scott Mackey, "Wireless Taxes and Fees Continue Growth Trend," *State Tax Notes*, October 29, 2012.
[22] Data source: HSAs for America at http://www.health--savings--accounts.com/state-income-tax.htm.
[23] Data source: "Small Group Health Insurance Market Guaranteed Issue, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.

Measurement in the Small Business Policy 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").[24]

• **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 Policy Index: state mandate for guaranteed issue in the individual market (state imposing guaranteed issue gets a score of "1," for some products a score of 0.5, and states not imposing gets a score of "0").[25]

• **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 Policy 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").[26]

• **Health Care: State High-Risk Pools.** For individuals that cannot get health coverage due to pre-existing conditions, some states have 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 notes 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 Policy 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.)[27]

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[24] Data source: "Small Group Health Insurance Market Rate Restrictions, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[25] Data source: "Individual Market Guaranteed Issue, 2013" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[26] Data source: "Individual Market Rate Restrictions, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[27] Data Source: "State High Risk Programs and Enrollment, as of December 31, 2011," from the Henry J. Kaiser Family Foundation at 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 Policy Index: number of mandates imposed (state gets a score of 0.05 for each mandate imposed).[28]

• **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 Policy Index: state's electricity cost index (index of state's average revenue per kilowatthour for electricity utilities).[29]

• **Renewable Energy Mandates.** Various states have imposed a renewable mandate on electricity producers, which dictates that a certain percentage of electricity consumed must be produced from renewable sources. Other states have proposed renewable goals, which are not mandatory, but lay the groundwork for mandates. These mandates drive up the cost of electricity for entrepreneurs and businesses, as the mandates require the use of higher cost energy sources. The Institute for Energy Research reports that electricity costs are 40 percent higher in states with renewable mandates.

Measurement in the Small Business Policy Index: state's with a renewable energy mandate on electricity producers score a "1," states with a renewable goal scores "0.5," and states with no renewable mandates or goals score a "0."[30]

• **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 Policy Index: state workers' compensation employer costs per $100 of payroll.[31]

• **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 Policy Index: state's crime rate per 100 residents.[32]

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[28] Data source: "Health Insurance Mandates in the States 2012: Executive Summary" by Victoria Craig Bunce, Council for Affordable Health Insurance, 2013.
[29] Data Source: Data for January to July 2013 from the U.S. Energy Information Administration.
[30] Data Source: The Institute for Energy Research at http://www.instituteforenergyresearch.org/renewable-mandates/.
[31] Data Source: "Workers' Compensation: Benefits, Coverage, and Costs, 2011," National Academy of Social Insurance, August 2013.

• **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 Policy 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").[33]

• **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 Policy Index: state minimum wage minus the federal minimum wage.[34]

• **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 Policy Index: score is based on an assigned score of "0" for states not mandating paid leave and "1" for states mandating paid family leave.[35]

• **E-Verify Mandate.** The government has imposed many of the costs of policing immigration onto the backs of the business community. Various states mandate that employers use the federal E-verify system to make sure that their workers are in the nation legally. This places costs and risks on employers, while nothing is being done to fix the flaws of the overall immigration system, including expanding and quickening the pace of legal entry into the nation so that the labor needs of consumers and businesses are being met.

Measurement in the Small Business Policy Index: states scores "1" for E-verify mandate on all or most businesses, "0.5" for a mandate on contractors with government, and "0" for no mandate.[36]

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[32] Data Source: 2012 data from the U.S. Federal Bureau of Investigation, *Crime in the United States 2012*.
[33] Data Source: National Right to Work Legal Defense Foundation.
[34] Data Source: U.S. Department of Labor, "Minimum Wage Laws in the States " at www.dol.gov.
[35] Data sources: Sources included http://www.uschambersmallbusinessnation.com/toolkits/guide/P05_4370, www.paidfamilyleave.org, and various media stories.

• **State Tort 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.

Measurement in the Small Business Policy Index: state liability score (each state is scored by an adjustment to the Pacific Research Institute's "U.S. Tort Liability Index.")[37]

• **Regulatory Flexibility Status.** The Small Business Administration's (SBA's) Office of Advocacy 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 Policy 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).[38]

• **Number of State and Local 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 is 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 Policy Index: state and local government employees (full-time equivalent employees per 100 residents).[39]

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[36] Data Source: "E-Verify Requirements: Federal, State, County and Municipal Levels," LawLogix, May 15, 2013, and "At a Glance: State E-Verify Laws," ImmigrationWorks USA, accessed September 23, 2103.
[37] Data Source: Lawrence J. McQuillan and Hovannes Abramyan, "U.S. Tort Liability Index: 2010 Report," Pacific Research Institute.
[38] Source: U.S. Small Business Administration, Office of Advocacy, "Research on State Regulatory Flexibility Acts," May 2013.
[39] Data Source: 2011 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

• **Trend in State and Local Government Spending.** Obviously, taxes paid by entrepreneurs, businesses and the economy are directly tied to government spending. This 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, perhaps, taxes?

Measurement in the Small Business Policy Index: index of the latest five-year (2005-06 to 2010-11) growth rate in per capita state and local government expenditures.[40]

• **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 Policy Index: index of per capita state and local government expenditures (2010-11).[41]

• **Per Capita State and Local Government Debt.** Since taxes imposed on entrepreneurs, businesses and consumers reflect the level of government spending, future spending and taxes are related to levels of government debt. As debt levels rise, the threat of future tax increases rise as well.

Measurement in the Small Business Policy Index: index of per capita state and local government debt (2010-11).[42]

• **Level of State and Local Revenue from the Federal Government.** From a state and local perspective, two problems exist with federal aid or revenues to states and local governments. First, such revenue can be unreliable, so if state and local spending levels become dependent on federal dollars, and those dollars are reduced or fail to keep pace with expectations, state and local taxes can be increased. Second, revenue from the federal government tends to get spent in a more wasteful fashion than do the dollars collected via state and local taxes. After all, it's so-called "free money."

Measurement in the Small Business Policy Index: index of state and local revenues from the federal government (2009-10) as a share of total state and local revenues.[43]

• **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 realized how vulnerable they were to losing their property. If the government decided it could

[40] Data Source: 2010-11 versus 2005-06 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[41] Data Source: 2010-11 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[42] Data Source: 2010-11 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[43] Data Source: 2010-11 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

get what it perceived as 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.

Measurement in the Small Business Policy Index: score based on grades for eminent domain reform legislation (ranging from "0.3" for an A+ to "3.9" for an F.[44]

• **State Crowdfunding.** Crowdfunding allows individuals, entrepreneurs, businesses, or other organization to raises funds – whether via donations, investments or borrowing – on the Internet. As explained in a study released by the World Bank titled "Crowdfunding's Potential for the Developing World" – authored by Jason Best, Sherwood Neiss and Richard Swart from Capital Crowdfund Advisors (CCA): "Crowdfunding takes advantage of crowd-based decision-making and innovation, and applies it to the funding of projects or businesses. Using social networks, social profiles, and the viral nature of web-based communication, individuals and companies have raised billions of dollars in debt, equity, and donations for projects over the past five years." States can enact legislation allowing for in-state businesses to raise funds via crowdfunding from state citizens.

Measurement in the Small Business Policy Index: score based state laws allowing for intra-state crowdfunding (score of "0" for state's allowing for crowdfunding, and "1" for states not allowing for crowdfunding).[45]

• **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 tax dollars at roads does not necessarily enhance quality. Fortunately, a study considers both cost and effectiveness.

Measurement in the Small Business Policy 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."[46]

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[44] Data Source: Institute for Justice, Castle Coalition at www.castlecoalition.org.

[45] Kevin Lawton, "State crowdfunding & state banks will moot the JOBS Act," VentureBeat.com, June 21, 2013, accessed at http://venturebeat.com/2013/06/21/state-crowdfunding-state-banks-will-moot-the-jobs-act/; Patrick Clark, "Kansas and Georgia Beat the SEC on Crowdfunding Rules. Now Others Are Trying," *BusinessWeek*, June 20, 2013, accessed at http://www.businessweek.com/articles/2013-06-20/kansas-and-georgia-beat-the-sec-on-crowdfunding-rules-dot-now-others-are-trying; and Carolyn P. Meade, "States Pilot Crowdfunding Initiatives to Increase Funding for Small Business," Bloomberg Law, accessed at http://about.bloomberglaw.com/practitioner-contributions/states-pilot-crowdfunding-initiatives-to-increase-funding-for-small-business/.

[46] Data Source: David Hartgen, M. Gregory Fields, and Elizabeth San Jose, "20th Annual Report on the Performance of State Highway Systems (1984-2009/10," The Reason Foundation, 2012.

• **Education Reform.** Each state is graded on the status of key education reforms, including academic standards, proficiency standards, private school choice and number of programs, state charter school laws and strength, mandatory intra and inter-district enrollment, online learning policies and programs, home schooling regulations, and teacher quality evaluation. These reforms combine two critical areas for boosting education – higher standards, and more choice and competition.

Measurement in the Small Business Policy Index: score is based on grades from A to F, with A+ equaling a score of "0" and adding 0.25 for each lower grade, so that an F receives a score of "3."[47]

The Supporting Economics

As seen above, sound economic reasoning and fundamentals support each of the 47 measures included in this year's "Small Business Policy Index." 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 Policy Index."

On Taxes

• In a 2008 study, Barry W. Poulson and Jules Gordon Kaplan, both economics professors at the University of Colorado, Boulder, looked at the impact of taxes on economic growth in the states from 1964 to 2004. They found "a significant negative impact of higher marginal tax rates on economic growth." Specifically: "The evidence supports previous studies that find a significant negative impact of higher marginal tax rates on state economic growth. Further, the evidence shows that states with higher marginal income tax rates appear to be at a disadvantage in achieving higher rates of economic growth." And in the conclusion, they noted: "The analysis reveals that higher marginal tax rates had a negative impact on economic growth in the states. The analysis also shows that greater regressivity had a positive impact on economic growth. States that held the rate of growth in revenue below the rate of growth in income achieved higher rates of economic growth. The analysis underscores the negative impact of income taxes on economic growth in the states. Most states introduced an income tax and came to rely on the income tax as the primary source of revenue. Jurisdictions that imposed an income tax to generate a given level of revenue experienced lower rates of economic growth relative to jurisdictions that relied on alternative taxes to generate the same revenue."[48]

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[47] Dr. Matthew Ladner and Dave Mylinski, "Report Card on American Education: Ranking State K-12 Performance, Progress and Reform," 18th edition, American Legislative Exchange, 2013.

[48] Barry W. Poulson and Jules Gordon Kaplan, "State Income Taxes and Economic Growth," *Cato Journal*, Vol. 28, No. 1 (Winter 2008).

• 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 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.

• In a 2004 National Bureau of Economic Research study, economists William M. Gentry and R. Glenn Hubbard reported, "Interest in the role of entrepreneurial entry in innovation raises the question of the extent to which tax policy encourages or discourages entry. We find that, while the level of the marginal tax rate has a negative effect on entrepreneurial activity, the progressivity of the tax also discourages entrepreneurship, and significantly so for some groups of households."[49]

• 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.[50]

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[49] William M. Gentry and R. Glenn Hubbard, "'Success Taxes,' Entrepreneurial Entry, and Innovation," *Innovation Policy and the Economy, Volume 5* (Adam B. Jaffe, Josh Lerner and Scott Stern, editors, The MIT Press, January 2005), page 104.

[50] As cited by Raymond J. Keating, *New York by the Numbers: State and City in Perpetual Crisis* (Lanham, MD: Madison Books, 1997), p. 15.

• In a 2011 study, Randall Holcombe from Florida State University and Donald Lacombe from Ohio University found that "over the 30-year period from 1960 to 1990, states that raised their income tax rates more than their neighbors had slower income growth and, on average, a 3.4% reduction in per capita income."[51]

• 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."

➙ "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.

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[51] Randall Holcombe and Donald Lacombe, "The Effect of State Income Taxation on Per Capita Income Growth," *Public Finance Review*, July 2011.

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.[52]

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. In September 2010, the SBA's Office of Advocacy published an updated study estimating the costs of complying with federal regulations. The study – "The Impact of Regulatory Costs on Small

[52] Zsolt Becsi, "Do State and Local Taxes Affect Relative State Economic Growth?" *Economic Review*, Federal Reserve Bank of Atlanta, March-April 1996.

Firms" by Nicole V. Crain and 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 $8,086 in 2008. However, that burden was not evenly distributed. For firms with less 20 employees, the cost registered $10,585, which was 42% higher than the $7,454 per employee cost for firms with 20-499 employees, and 36% higher than the $7,755 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 $4,101, which topped the $1,294 cost for firms with 20-499 employees by 217% and the $883 cost for businesses with 500 or more workers by 364%. In terms of tax compliance, the $1,584 per employee costs for businesses with fewer than 20 employees exceeded the $760 per employee cost for firms with 20-499 employees by 108% and the $517 per employee costs for firms with 500 or more workers by 206%.

➙ Small manufacturers get hit particularly hard. Per employee regulatory costs for manufacturers with fewer than 20 employees came in at $28,316, which was 110% higher than the $13,504 for manufacturers with 20-499 employees and 125% more than the $12,586 burden on companies with 500 or more employees. Again, serious cost differentials came in the area of environmental regulation, where per employee costs for manufacturers with fewer than 20 employees came in at $22,594, which topped the $7,131 for firms with 20-499 employees by 217% and exceeded the $4,865 for firms with 500 or more workers by 364%.

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.

• Another recent study found a clear and substantial negative impact of federal regulation on the economy. Economists John Dawson at Appalachian State University and John Seater at North Carolina State University looked at the impact of federal regulation on economic growth. Their findings are sobering, to say the least: "Regulation's overall effect on output's growth rate is negative and substantial. Federal regulations added over the past fifty years have reduced real output growth by about two percentage points on average over the period 1949-2005. That reduction in the growth rate has led to an accumulated reduction in GDP of about $38.8 trillion as of the end of 2011. That is, GDP at the end of 2011 would have been $53.9 trillion instead of $15.1 trillion if regulation had remained at its 1949 level." The authors added: "Our results are qualitatively consistent with those obtained from studies using the various cross-country and panel data sets on regulation. Quantitatively, our estimated impact of regulation on aggregate output, large as it is, is similar to or lower than the micro-level impacts estimated in the cross-country and panel data studies. The cross-country and panel data are constructed very differently from our data, covering a subset of total regulations but over an array of countries. It thus seems that regulation has strong and robust negative effects on aggregate output." They also point out: "Inclusion of state regulation would be highly

desirable, but data collection is an enormous task, far beyond our resources. The only way to obtain time series data on the volume of state regulation is to go to each state capital and search the state archives for old editions of state codes of regulation. With fifty capitals spanning distances of literally thousands of miles, we had no choice but to omit state regulations from our measure. Given the very strong economic effects of regulation that we discover and discuss below, collection of time series on state regulations would be a very valuable extension of our work."[53]

At the same time, it is quite reasonable to speculate that the inclusion of state regulations would only increase the negative impact of regulation on economic growth, with states imposing heavier regulatory burdens suffering more.

On Health Care Regulations

• The Council for Affordable Health Insurance reported in "Health Insurance Mandates in the States 2010" the following: "CAHI's independent Actuarial Working Group on Mandated Benefits analyzed company data and their experience and provided cost-range estimates — less than 1 percent, 1-3 percent, 3-5 percent and 5-10 percent — if the mandate were added to a policy that did not include the coverage. These estimates are based on real health insurance policies and are not based on theory or modeling."

• 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."

[53] John Dawson and John Seater, "Federal Regulation and Aggregate Economic Growth," January 2013, accessed at http://www4.ncsu.edu/~jjseater/regulationandgrowth.pdf.

• 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 Government Spending

• The assumption made by many state and local elected officials is that more government spending is good for the state's economy. But that's difficult to square with the economic reality that those resources must be extracted from the private sector. Richard Vedder at Ohio University looked at the impact of state and local government spending on the economy in a 1993 study.[54] He reported:

- "During the 1980s state and local government spending more than doubled, growing much faster than state and local economies. The increase in government spending took a larger percentage of per capita income in taxes, then caused even greater harm to taxpayers by crowding out private sector spending, thereby retarding economic growth and reducing per capita income that would have otherwise occurred."
- "If state and local government spending had increased at the same rate as per capita income during the 1980s, personal income in 1990 would have been more than 40 percent higher in the average state."
- "Econometric studies cast serious doubt on the benefits of most government spending. They show little relationship between most government spending – including education and highways – and economic growth… There is a strong negative relationship between spending on public assistance and economic growth."

• A 2006 study looked specifically at the impact of state and local government spending on economic growth in wealthy nations. The authors reported: "However, only few studies investigate the effect of state and local spending on economic growth. This study concentrates on the relationship between public expenditure and economic growth within a rich country using the full sample of state and local governments from Switzerland over the 1981–2001 period. The general finding is a fairly robust negative relationship between government size and economic growth. However, in contrast to public spending from operating budgets there is no significant impact on economic growth by expenditure from capital budgets."[55]

[54] Richard Vedder, "Economic Impact of Government Spending: A 50-State Analysis," NCPA Policy Report No. 178, April 1993.
[55] Christopher A. Schaltegger and Benno Torgler, "Growth effects of public expenditure on the state and local level: evidence from a sample of rich governments," Applied Economics, Volume 38, Issue 10, 2006.

On the Minimum Wage

• *The Wall Street Journal* ("Job Slayers," August 29, 2005) 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."

• In a 2007 study, economists David Neumark (University of California-Irvine) and William Wascher (Board of Governors of the Federal Reserve System) reviewed the economic literature since the early 1990s on the employment effects of the minimum wages. They concluded: "[T]he oft-stated assertion that the new minimum wage research fails to support the conclusion that the minimum wage reduces the employment of low-skilled workers is clearly incorrect. Indeed, in our view, the preponderance of the evidence points to disemployment effects. For example, the studies surveyed in this monograph correspond to 102 entries in our summary tables. Of these, nearly two-thirds give a relatively consistent (although by no means always statistically significant) indication of negative employment effects of minimum wages, while only eight give a relatively consistent indication of positive employment effects. In addition, we have highlighted in the tables 33 studies (or entries) that we regard as providing the most

credible evidence, and 28 (85 percent) of these point to negative employment effects. Moreover, when researchers focus on the least-skilled groups most likely to be adversely affected by minimum wages, the evidence for disemployment effects seems especially strong. In contrast, we see very few – if any – cases where a study provides convincing evidence of positive employment effects of minimum wages, especially among the studies that focus on broader groups for which the competitive model predicts disemployment effects."[56]

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."

[56] David Neumark and William Wascher, "Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research," University of California-Irvine, Department of Economics, 2007.

Tallying Up the Index

So, taxes and regulations matter a great deal to entrepreneurs, small businesses and the economy in general. The "Small Business Policy 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 Policy Index" score is tallied, the 47 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 Policy 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 Policy Index," the lower the index number, the lighter the governmental burdens, and the better the environment for entrepreneurship. The "Small Business Policy 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 "U.S. Business Policy Index" number, the greater the incentives to invest and take risks in that particular state.

IMPORTANT: Please note that the 2013 "Small Business Policy Index" cannot be directly compared to editions from previous years as the Index has been revised and expanded each year.

Small Business Policy Index 2013: State Rankings

Rank	State	SBPI	Rank	State	SBPI
1	South Dakota	34.627	26	Missouri	73.703
2	Nevada	37.537	27	New Mexico	76.799
3	Texas	39.520	28	West Virginia	79.011
4	Wyoming	44.414	29	Wisconsin	80.024
5	Florida	48.863	30	Kentucky	80.061
6	Washington	54.500	31	North Carolina	80.777
7	Alabama	57.758	32	Idaho	80.782
8	Indiana	58.138	33	Montana	81.169
9	Ohio	61.372	34	Delaware	81.452
10	Utah	62.740	35	Illinois	83.047
11	Michigan	62.782	36	Arkansas	83.462
12	North Dakota	63.490	37	Maryland	84.491
13	Arizona	64.590	38	Massachusetts	86.408
14	Colorado	65.500	39	Nebraska	88.476
15	Virginia	65.538	40	Rhode Island	94.255
16	Mississippi	66.713	41	Connecticut	94.632
17	South Carolina	66.808	42	Oregon	94.952
18	Tennessee	68.081	43	Iowa	97.002
19	New Hampshire	68.789	44	Maine	103.264
20	Alaska	69.487	45	Minnesota	103.486
21	Louisiana	70.051	46	Hawaii	107.070
22	Georgia	70.307	47	New York	107.213
23	Kansas	71.645	48	Vermont	107.221
24	Oklahoma	73.392	49	New Jersey	109.265
25	Pennsylvania	73.685	50	California	113.637

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 Policy Index 2013" are: 1) South Dakota, 2) Nevada, 3) Texas, 4) Wyoming, 5) Florida, 6) Washington, 7) Alabama, 8) Indiana, 9) Ohio, 10) Utah, 11) Michigan, 12) North Dakota, 13) Arizona, 14) Colorado, and 15) Virginia.

In contrast, the most anti-entrepreneur policy environments are offered by the following: 37) Maryland, 38) Massachusetts, 39) Nebraska, 40) Rhode Island, 41) Connecticut, 42) Oregon, 43) Iowa, 44) Maine, 45) Minnesota, 46) Hawaii, 47) New York, 48) Vermont, 49) New Jersey, and 50) California.

As for policy changes in various states, the following states have taken steps forward that have improved, or will improve, the state's competitive position in terms of entrepreneurship, business and investment:

• **North Dakota:** In 2013, reduced personal income, corporate income and capital gains tax rates.

• **Ohio:** Implemented a reduction in personal income and capital gains tax rates.

• **Indiana:** In the midst of a multi-year reduction in corporate income tax rates, and will phase in a personal income tax cut in coming years.

• **North Carolina:** Passed a major tax reform measure in 2013 that eliminated the state's death tax, and will begin a reduction in personal income, corporate income and capital gains taxes starting in 2014.

• **Arizona:** Passed a future, phased-in reduction in corporate income and capital gains tax rates.

• **Nebraska:** Will eliminate its individual alternative minimum tax in 2014.

• **New Mexico:** Scheduled to reduce its personal income tax in 2018.

• **West Virginia:** A scheduled phase-in will reduce the personal income and capital gains tax rate in 2014.

People Follow Opportunity

It must be noted that countless issues play into human decision-making. But the impact of public policy 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 2010 to 2012, the top 25 states on the 2013 Index experienced population growth of 1.74% -- a gain of 2.79 million – while among the bottom 25, population growth registered 1.19% -- an increase of 1.77 million. Therefore, the population in the top 25 states on the Index grew at a 46 percent faster pace than the bottom 25 on the Index.

More interesting and telling is net domestic or internal migration. That is the movement of people between the states, that is, excluding births, deaths and international migration. It clearly captures people voting with their feet. From 2010 to 2012, the top 25 states on the "Small Business Policy Index" netted a 605,271 increase in population at the expense of the bottom 25 states, which lost 619,441 (the District of Columbia gained 14,170, which explains the difference).

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 affect economic opportunity. People go where economic opportunity is, in turn, bringing more opportunity with them. The "Small Business Policy 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 Policy Index 2013
Appendix A: State Rankings of Top Personal Income Tax Rates

Rank	State	Top PIT Rate	Rank	State	Top PIT Rate
1t	Alaska	0.000	26	Iowa	5.424
1t	Florida	0.000	27t	Maryland	5.750
1t	Nevada	0.000	27t	Virginia	5.750
1t	New Hampshire	0.000	29	Rhode Island	5.990
1t	South Dakota	0.000	30t	Georgia	6.000
1t	Tennessee	0.000	30t	Kentucky	6.000
1t	Texas	0.000	30t	Missouri	6.000
1t	Washington	0.000	33	West Virginia	6.500
1t	Wyoming	0.000	34	Connecticut	6.700
10	Alabama	3.020	35	Delaware	6.750
11	Pennsylvania	3.070	36	Nebraska	6.840
12	North Dakota	3.220	37	Montana	6.900
13	Indiana	3.400	38t	Arkansas	7.000
14	Louisiana	3.624	38t	South Carolina	7.000
15	Michigan	4.250	40	Idaho	7.400
16	Arizona	4.540	41	Wisconsin	7.650
17	Colorado	4.630	42	North Carolina	7.750
18t	Kansas	4.900	43	Maine	7.950
18t	New Mexico	4.900	44	New York	8.820
20t	Illinois	5.000	45	Vermont	8.950
20t	Mississippi	5.000	46	New Jersey	8.970
20t	Utah	5.000	47	Minnesota	9.850
23t	Massachusetts	5.250	48	Oregon	9.900
23t	Oklahoma	5.250	49	Hawaii	11.000
25	Ohio	5.421	50	California	13.300

Small Business Policy Index 2013
Appendix B: State Rankings of Top Individual Capital Gains Tax Rates

Rank	State	Top Ind CapGains Rate	Rank	State	Top Ind CapGains Rate
1t	Alaska	0.000	26t	Massachusetts	5.250
1t	Florida	0.000	26t	Oklahoma	5.250
1t	Nevada	0.000	28	Wisconsin	5.355
1t	New Hampshire	0.000	29	Ohio	5.421
1t	South Dakota	0.000	30t	Maryland	5.750
1t	Tennessee	0.000	30t	Virginia	5.750
1t	Texas	0.000	32	Rhode Island	5.990
1t	Washington	0.000	33t	Georgia	6.000
1t	Wyoming	0.000	33t	Kentucky	6.000
10	North Dakota	1.932	33t	Missouri	6.000
11	New Mexico	2.450	36	West Virginia	6.500
12	Pennsylvania	3.070	37	Connecticut	6.700
13	Indiana	3.400	38	Delaware	6.750
14	South Carolina	3.920	39	Nebraska	6.840
15	Alabama	4.000	40	Hawaii	7.250
16	Michigan	4.250	41	Idaho	7.400
17	Arizona	4.540	42	Iowa	7.633
18	Colorado	4.630	43	North Carolina	7.750
19	Louisiana	4.800	44	Maine	7.950
20t	Arkansas	4.900	45	New York	8.820
20t	Kansas	4.900	46	Vermont	8.950
20t	Montana	4.900	47	New Jersey	8.970
23t	Illinois	5.000	48	Minnesota	9.850
23t	Mississippi	5.000	49	Oregon	9.900
23t	Utah	5.000	50	California	13.300

Small Business Policy Index 2013
Appendix C: State Rankings of Individual Dividends and Interest Tax Rates

Rank	State	PIDivInt	Rank	State	PIDivInt
1t	Alaska	0.000	25t	Virginia	5.750
1t	Florida	0.000	27	Rhode Island	5.990
1t	Nevada	0.000	28t	Georgia	6.000
1t	South Dakota	0.000	28t	Kentucky	6.000
1t	Texas	0.000	28t	Missouri	6.000
1t	Washington	0.000	28t	Tennessee	6.000
1t	Wyoming	0.000	32	West Virginia	6.500
8	Pennsylvania	3.070	33	Connecticut	6.700
9	North Dakota	3.220	34	Delaware	6.750
10	Indiana	3.400	35	Nebraska	6.840
11	Alabama	4.000	36	Montana	6.900
12	Michigan	4.250	37t	Arkansas	7.000
13	Arizona	4.540	37t	South Carolina	7.000
14	Colorado	4.630	39	Idaho	7.400
15	Louisiana	4.800	40	Iowa	7.633
16t	Kansas	4.900	41	Wisconsin	7.650
16t	New Mexico	4.900	42	North Carolina	7.750
18t	Illinois	5.000	43	Maine	7.950
18t	Mississippi	5.000	44	New York	8.820
18t	New Hampshire	5.000	45	Vermont	8.950
18t	Utah	5.000	46	New Jersey	8.970
22t	Massachusetts	5.250	47	Minnesota	9.850
22t	Oklahoma	5.250	48	Oregon	9.900
24	Ohio	5.421	49	Hawaii	11.000
25t	Maryland	5.750	50	California	13.300

Small Business Policy Index 2013
Appendix D: State Rankings of Top Corporate Income Tax Rates

Rank	State	Top CIT Rate	Rank	State	Top CIT Rate
1t	Nevada	0.000	26	Arizona	6.968
1t	Ohio	0.000	27t	Kansas	7.000
1t	South Dakota	0.000	27t	West Virginia	7.000
1t	Texas	0.000	29	Idaho	7.400
1t	Washington	0.000	30	Indiana	7.500
1t	Wyoming	0.000	31t	New Mexico	7.600
7	Alabama	4.225	31t	Oregon	7.600
8	North Dakota	4.530	33	Nebraska	7.810
9	Colorado	4.630	34	Wisconsin	7.900
10t	Mississippi	5.000	35	Massachusetts	8.000
10t	South Carolina	5.000	36	Maryland	8.250
10t	Utah	5.000	37	New York	8.307
13	Missouri	5.156	38t	New Hampshire	8.500
14	Louisiana	5.200	38t	Vermont	8.500
15	Florida	5.500	40	Delaware	8.700
16t	Georgia	6.000	41	California	8.840
16t	Kentucky	6.000	42	Maine	8.930
16t	Michigan	6.000	43t	Connecticut	9.000
16t	Oklahoma	6.000	43t	New Jersey	9.000
16t	Virginia	6.000	43t	Rhode Island	9.000
21	Hawaii	6.400	46	Alaska	9.400
22t	Arkansas	6.500	47	Illinois	9.500
22t	Tennessee	6.500	48	Minnesota	9.800
24	Montana	6.750	49	Iowa	9.900
25	North Carolina	6.900	50	Pennsylvania	9.990

Small Business Policy Index 2013
Appendix E: State Rankings of Top Corporate Capital Gains Tax Rates

Rank	State	CorpCG Rate	Rank	State	CorpCG Rate
1t	Nevada	0.000	26	North Carolina	6.900
1t	Ohio	0.000	27	Arizona	6.968
1t	South Dakota	0.000	28t	Kansas	7.000
1t	Texas	0.000	28t	West Virginia	7.000
1t	Washington	0.000	30	Idaho	7.400
1t	Wyoming	0.000	31	Indiana	7.500
7	Hawaii	4.000	32t	New Mexico	7.600
8	Alabama	4.225	32t	Oregon	7.600
9	Alaska	4.500	34	Nebraska	7.810
10	North Dakota	4.530	35	Wisconsin	7.900
11	Colorado	4.630	36	Massachusetts	8.000
12t	Mississippi	5.000	37	Maryland	8.250
12t	South Carolina	5.000	38	New York	8.307
12t	Utah	5.000	39t	New Hampshire	8.500
15	Missouri	5.156	39t	Vermont	8.500
16	Louisiana	5.200	41	Delaware	8.700
17	Florida	5.500	42	California	8.840
18t	Georgia	6.000	43	Maine	8.930
18t	Kentucky	6.000	44t	Connecticut	9.000
18t	Michigan	6.000	44t	New Jersey	9.000
18t	Oklahoma	6.000	44t	Rhode Island	9.000
18t	Virginia	6.000	47	Illinois	9.500
23t	Arkansas	6.500	48	Minnesota	9.800
23t	Tennessee	6.500	49	Iowa	9.900
25	Montana	6.750	50	Pennsylvania	9.990

Small Business Policy Index 2013
Appendix F: 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	1.555	26	Arizona	3.055
2	Oklahoma	1.573	27	Pennsylvania	3.069
3	Delaware	1.764	28	California	3.191
4	Arkansas	1.814	29	Kansas	3.369
5	New Mexico	1.897	30	Minnesota	3.426
6	Louisiana	2.004	31	Florida	3.440
7	Kentucky	2.042	32	Oregon	3.444
8	Tennessee	2.181	33	Iowa	3.526
9	Hawaii	2.238	34	Montana	3.669
10	West Virginia	2.298	35	Colorado	3.688
11	North Dakota	2.334	36	Nebraska	3.751
12	North Carolina	2.474	37	Michigan	3.761
13	Missouri	2.557	38	Massachusetts	3.762
14	Idaho	2.590	39	Texas	3.895
15	Mississippi	2.657	40	Illinois	4.255
16	Utah	2.680	41	Wisconsin	4.293
17	Indiana	2.725	42	Connecticut	4.531
18	Maryland	2.832	43	Alaska	4.536
19	South Dakota	2.862	44	Wyoming	4.579
20	Washington	2.867	45	New York	4.617
21	Nevada	2.896	46	Maine	4.760
22	Georgia	2.920	47	Rhode Island	4.915
23	Virginia	2.987	48	Vermont	5.250
24	Ohio	3.016	49	New Jersey	5.439
25	South Carolina	3.049	50	New Hampshire	5.496

Small Business Policy Index 2013

Appendix G: 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	0.686	26	California	3.189
2	Montana	0.911	27	Minnesota	3.212
3	Delaware	1.039	28	Kentucky	3.218
4	New Hampshire	1.228	29	Utah	3.286
5	Massachusetts	1.892	30	Oklahoma	3.348
6	Alaska	1.913	31	Kansas	3.380
7	Virginia	1.975	32	Michigan	3.385
8	Maryland	2.222	33	Indiana	3.546
9	New Jersey	2.460	34	West Virginia	3.558
10	Connecticut	2.477	35	New York	3.586
11	South Carolina	2.641	36	Alabama	3.627
12	Idaho	2.655	37	North Dakota	3.653
13	Wisconsin	2.721	38	Texas	3.729
14	Nebraska	2.727	39	Florida	3.877
15	Illinois	2.858	40	South Dakota	3.907
16	Maine	2.875	41	Mississippi	4.067
17	Missouri	2.882	42	Arizona	4.087
18	Colorado	2.891	43	Wyoming	4.235
19	Ohio	2.927	44	Tennessee	4.325
20	Pennsylvania	2.936	45	Arkansas	4.524
21	Rhode Island	2.937	46	New Mexico	4.655
22	Georgia	3.013	47	Louisiana	4.870
23	Iowa	3.032	48	Nevada	5.025
24	North Carolina	3.039	49	Washington	5.399
25	Vermont	3.120	50	Hawaii	5.680

Small Business Policy Index 2013
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	California	0.764	26	Maine	2.518
2	Arizona	0.980	27	West Virginia	2.568
3	Florida	1.000	28	South Carolina	2.653
4	Virginia	1.073	29	Massachusetts	2.821
5	Louisiana	1.103	30	Missouri	2.969
6	Colorado	1.207	31	New Mexico	3.038
7	New York	1.207	32	Wisconsin	3.269
8	Alabama	1.284	33	Vermont	3.281
9	Texas	1.349	34	North Carolina	3.316
10	Nebraska	1.487	35	Nevada	3.327
11	Connecticut	1.643	36	New Jersey	3.372
12	Georgia	1.663	37	South Dakota	3.380
13	Delaware	1.664	38	Oregon	4.161
14	Indiana	1.705	39	Alaska	4.225
15	Kansas	1.829	40	Oklahoma	4.442
16	Ohio	1.851	41	Washington	4.473
17	Pennsylvania	1.858	42	Montana	4.603
18	New Hampshire	2.030	43	Rhode Island	4.784
19	Tennessee	2.047	44	Hawaii	4.929
20	Mississippi	2.107	45	Wyoming	5.339
21	Maryland	2.124	46	Utah	5.429
22	Arkansas	2.229	47	Iowa	5.800
23	Michigan	2.247	48	Minnesota	6.388
24	Kentucky	2.299	49	Idaho	6.546
25	Illinois	2.336	50	North Dakota	6.864

Small Business Policy Index 2013
Appendix I: Rankings of State Gas Taxes

(Dollars Per Gallon of Gasoline)

Rank	State	Gas Tax	Rank	State	Gas Tax
1	Alaska	0.124	26	Maryland	0.270
2	New Jersey	0.145	27	Nebraska	0.272
3	South Carolina	0.168	28	Montana	0.278
4	Oklahoma	0.170	29	Ohio	0.280
5t	Missouri	0.173	30	Georgia	0.285
5t	Virginia	0.173	31	Minnesota	0.286
7	Mississippi	0.188	32	Oregon	0.311
8	New Mexico	0.189	33	Maine	0.315
9	Arizona	0.190	34t	Kentucky	0.323
10	New Hampshire	0.196	34t	Pennsylvania	0.323
11t	Louisiana	0.200	34t	Vermont	0.323
11t	Texas	0.200	37	Wisconsin	0.329
13	Alabama	0.209	38	Rhode Island	0.330
14	Tennessee	0.214	39	Nevada	0.331
15	Arkansas	0.218	40	West Virginia	0.347
16t	Colorado	0.220	41	Florida	0.354
16t	Iowa	0.220	42	Washington	0.375
16t	South Dakota	0.220	43	North Carolina	0.378
19t	Delaware	0.230	44	Indiana	0.382
19t	North Dakota	0.230	45	Illinois	0.391
21	Wyoming	0.240	46	Michigan	0.393
22	Utah	0.245	47	Connecticut	0.493
23t	Idaho	0.250	48	New York	0.499
23t	Kansas	0.250	49	Hawaii	0.503
25	Massachusetts	0.265	50	California	0.532

Small Business Policy Index 2013
Appendix J: Rankings of State Diesel Taxes

(Dollars Per Gallon of Diesel)

Rank	State	Diesel Tax	Rank	State	Diesel Tax
1	Alaska	0.127	25t	Kansas	0.270
2	Oklahoma	0.140	27	Maryland	0.278
3	South Carolina	0.168	28	Ohio	0.280
4	Missouri	0.173	29t	Minnesota	0.286
5	New Jersey	0.175	29t	Montana	0.286
6	Tennessee	0.184	29t	Nevada	0.286
7	Mississippi	0.188	32	Kentucky	0.293
8	New Hampshire	0.196	33	Oregon	0.303
9t	Louisiana	0.200	34	Florida	0.305
9t	Texas	0.200	35	Vermont	0.310
11	Colorado	0.205	36	Georgia	0.320
12	Alabama	0.219	37	Maine	0.327
13	Delaware	0.220	38	Wisconsin	0.329
14t	Arkansas	0.228	39	Rhode Island	0.330
14t	New Mexico	0.228	40	West Virginia	0.347
16	North Dakota	0.230	41	Washington	0.375
17	Iowa	0.235	42	North Carolina	0.378
18t	South Dakota	0.240	43	Michigan	0.390
18t	Wyoming	0.240	44	Pennsylvania	0.392
20	Utah	0.245	45	Illinois	0.445
21	Idaho	0.250	46	New York	0.497
22	Virginia	0.261	47	Indiana	0.502
23	Massachusetts	0.265	48	California	0.518
24	Nebraska	0.266	49	Hawaii	0.525
25t	Arizona	0.270	50	Connecticut	0.549

Small Business Policy Index 2013
Appendix K: State Rankings of Wireless Taxes

(Adjusted index of wireless sales taxes)

Rank	State	WireTax	Rank	State	WireTax
1	Oregon	0.019	26	Louisiana	0.105
2	Nevada	0.021	27	Kentucky	0.106
3	Idaho	0.023	28	Colorado	0.108
4	Montana	0.061	29	Indiana	0.109
5	Delaware	0.063	30t	California	0.110
6	West Virginia	0.064	30t	North Dakota	0.110
7	Virginia	0.066	32	New Mexico	0.111
8	Wisconsin	0.072	33t	Oklahoma	0.115
9	Maine	0.073	33t	Arkansas	0.115
10	Connecticut	0.074	35	Tennessee	0.116
11t	Alabama	0.075	36	Alaska	0.121
11t	Hawaii	0.075	37	Texas	0.122
13	Michigan	0.077	38	Utah	0.127
14	Wyoming	0.078	39	Maryland	0.128
15	Massachusetts	0.079	40	Arizona	0.130
16t	Iowa	0.080	41t	Kansas	0.131
16t	Ohio	0.080	41t	South Dakota	0.131
18	Vermont	0.081	43	Pennsylvania	0.141
19	New Hampshire	0.082	44	Missouri	0.143
20	North Carolina	0.085	45	Rhode Island	0.147
21	Georgia	0.088	46	Illinois	0.159
22	New Jersey	0.089	47	Florida	0.166
23	Mississippi	0.092	48	New York	0.179
24	Minnesota	0.095	49	Washington	0.186
25	South Carolina	0.101	50	Nebraska	0.187

Small Business Policy Index 2013
Appendix L: State Rankings of Number of Health Insurance Mandates

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

Rank	State	Mandates	Rank	State	Mandates
1	Idaho	0.65	26	Oregon	2.25
2	Alabama	0.95	27t	Kansas	2.30
3	Michigan	1.20	27t	Vermont	2.30
4t	Iowa	1.30	29t	Nebraska	2.35
4t	Utah	1.30	29t	New Jersey	2.35
6	Hawaii	1.40	31	Maine	2.40
7	South Dakota	1.45	32t	Illinois	2.45
8	South Carolina	1.50	32t	Kentucky	2.45
9t	Mississippi	1.55	32t	Massachusetts	2.45
9t	Ohio	1.55	35	Louisiana	2.55
11	Delaware	1.70	36	Florida	2.60
12	Arizona	1.75	37	North Carolina	2.75
13	Indiana	1.80	38t	California	2.80
14t	Alaska	1.85	38t	Pennsylvania	2.80
14t	Wyoming	1.85	38t	Washington	2.80
16t	Nevada	1.90	41	New Mexico	2.95
16t	New Hampshire	1.90	42	Colorado	3.05
18t	North Dakota	2.00	43t	New York	3.10
18t	Tennessee	2.00	43t	Texas	3.10
20	Montana	2.05	45	Missouri	3.20
21t	Georgia	2.15	46t	Connecticut	3.25
21t	Oklahoma	2.15	46t	Minnesota	3.25
21t	West Virginia	2.15	48	Virginia	3.30
21t	Wisconsin	2.15	49	Maryland	3.35
25	Arkansas	2.20	50	Rhode Island	3.45

Small Business Policy Index 2013
Appendix M: State Rankings of Electric Utility Costs
(Index of State Average Revenue Per Kilowatthour for Electricity Utilities Relative to the U.S. Average)

Rank	State	ElectricCosts	Rank	State	ElectricCosts
1	Washington	0.701	26	Ohio	0.912
2	Idaho	0.739	27	New Mexico	0.915
3	Kentucky	0.740	28	Tennessee	0.923
4	Wyoming	0.746	29	Minnesota	0.947
5	Oklahoma	0.773	30	Georgia	0.950
6	Arkansas	0.778	31	Kansas	0.959
7	Louisiana	0.794	32	Colorado	0.967
8	West Virginia	0.799	33	Pennsylvania	0.981
9t	Illinois	0.802	34	Arizona	1.010
9t	Iowa	0.802	35	Florida	1.026
11	North Dakota	0.803	36	Wisconsin	1.063
12	Utah	0.810	37	Delaware	1.097
13	Oregon	0.831	38	Michigan	1.129
14	Montana	0.851	39	Maryland	1.144
15	Indiana	0.856	40	Maine	1.194
16	Nebraska	0.863	41	Rhode Island	1.348
17	South Dakota	0.870	42	New Jersey	1.366
18	Texas	0.873	43	California	1.414
19	Nevada	0.883	44	Massachusetts	1.422
20	Virginia	0.894	45	New Hampshire	1.440
21	Mississippi	0.900	46	Vermont	1.448
22t	Alabama	0.901	47	New York	1.560
22t	Missouri	0.901	48	Connecticut	1.561
24	North Carolina	0.905	49	Alaska	1.635
25	South Carolina	0.907	50	Hawaii	3.337

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Appendix N: State Rankings of Workers' Compensation Employer Costs Per $100 of Payroll

Rank	State	Work Comp	Rank	State	Work Comp
1	Texas	0.71	25t	Kentucky	1.24
2t	Massachusetts	0.73	27	South Dakota	1.26
2t	Virginia	0.73	28	New Jersey	1.27
4	Arkansas	0.78	29	New York	1.28
5	Arizona	0.82	30t	Mississippi	1.34
6	Indiana	0.83	30t	Nebraska	1.34
7	Utah	0.84	32	New Mexico	1.36
8	Colorado	0.86	33	Illinois	1.39
9	Nevada	1.00	34	Hawaii	1.45
10t	Michigan	1.04	35	Washington	1.46
10t	Minnesota	1.04	36	North Dakota	1.48
12	Maryland	1.05	37	Louisiana	1.53
13	Rhode Island	1.07	38t	Idaho	1.55
14	Missouri	1.08	38t	Maine	1.55
15t	Georgia	1.09	40	Iowa	1.56
15t	Tennessee	1.09	41	Pennsylvania	1.57
17t	Connecticut	1.10	42	South Carolina	1.66
17t	Oregon	1.10	43	Vermont	1.67
19	New Hampshire	1.13	44	California	1.71
20t	Delaware	1.17	45	Wyoming	1.74
20t	Ohio	1.17	46	Wisconsin	1.78
22t	Alabama	1.18	47	West Virginia	1.96
22t	Florida	1.18	48	Oklahoma	2.05
24	North Carolina	1.19	49	Alaska	2.45
25t	Kansas	1.24	50	Montana	2.54

Small Business Policy Index 2013
Appendix O: State Rankings of Crime Rate

Rank	State	Crime	Rank	State	Crime
1	Idaho	2.19	26	Utah	3.20
2	North Dakota	2.25	27	Maryland	3.23
3	New York	2.33	28	Hawaii	3.31
4	New Jersey	2.34	29	Alaska	3.34
5	Virginia	2.35	30	Indiana	3.37
6	South Dakota	2.38	31t	Nevada	3.42
7	Connecticut	2.42	31t	Ohio	3.42
8	Wyoming	2.50	33	Oregon	3.47
9	New Hampshire	2.51	34	Kansas	3.50
10	Pennsylvania	2.52	35	North Carolina	3.72
11t	Iowa	2.54	36	Florida	3.76
11t	Vermont	2.54	37t	Missouri	3.77
13	Massachusetts	2.56	37t	Texas	3.77
14	Maine	2.63	39	Georgia	3.79
15	West Virginia	2.68	40	Oklahoma	3.87
16	Wisconsin	2.73	41	Delaware	3.89
17	Kentucky	2.78	42t	Alabama	3.95
18	Minnesota	2.80	42t	Washington	3.95
19	Rhode Island	2.82	44	Arizona	3.97
20	Montana	2.86	45	Colorado	3.99
21t	Illinois	2.99	46	Tennessee	4.02
21t	Michigan	2.99	47	Louisiana	4.04
23	Nebraska	3.01	48	Arkansas	4.13
24	Mississippi	3.07	49	New Mexico	4.16
25	California	3.18	50	South Carolina	4.38

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Appendix P: State Rankings of the Number of State & Local Government Employees
(Full-Time-Equivalent State and Local Government Employees Per 100 Residents)

Rank	State	Gov Employ	Rank	State	Gov Employ
1	Nevada	4.20	25t	Virginia	5.42
2	Arizona	4.33	27t	New Hampshire	5.48
3	Michigan	4.62	27t	Delaware	5.48
4t	Pennsylvania	4.65	29	New Jersey	5.53
4t	California	4.65	30	South Dakota	5.56
6	Florida	4.66	31	West Virginia	5.59
7	Rhode Island	4.73	32t	Texas	5.65
8t	Massachusetts	4.87	32t	Kentucky	5.65
8t	Illinois	4.87	34	Oklahoma	5.66
10t	Idaho	4.96	35	Maine	5.67
10t	Wisconsin	4.96	36	North Carolina	5.76
12	Indiana	5.06	37	Iowa	5.79
13	Washington	5.07	38	Montana	5.80
14	Oregon	5.10	39	Alabama	5.93
15	Tennessee	5.11	40t	New Mexico	6.04
16	Ohio	5.15	40t	New York	6.04
17	Connecticut	5.17	42	Louisiana	6.16
18t	Minnesota	5.19	43	Vermont	6.33
18t	Georgia	5.19	44t	Mississippi	6.45
20	Utah	5.24	44t	Arkansas	6.45
21	Maryland	5.27	46	Nebraska	6.57
22t	Missouri	5.28	47	North Dakota	6.59
22t	Colorado	5.28	48	Kansas	6.86
24	Hawaii	5.36	49	Alaska	7.57
25t	South Carolina	5.42	50	Wyoming	9.28

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Appendix Q: Rankings of State and Local Government Five-Year Spending Trends, 2005-06 to 2010-11

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

Rank	State	SpndTrnd	Rank	State	SpndTrnd
1	Florida	0.52	25t	Nebraska	1.08
2	Delaware	0.62	27t	New York	1.12
3	Georgia	0.63	27t	Washington	1.12
4	Arizona	0.67	29	Oregon	1.13
5	Nevada	0.71	30	Hawaii	1.16
6	Indiana	0.76	31	Texas	1.18
7	South Carolina	0.78	32	Pennsylvania	1.19
8	New Jersey	0.82	33	Maryland	1.22
9	Virginia	0.83	34	Kentucky	1.24
10	Maine	0.84	35	Kansas	1.25
11t	North Carolina	0.86	36t	Illinois	1.28
11t	Tennessee	0.86	36t	Connecticut	1.28
13	Ohio	0.88	38	Alaska	1.29
14	Michigan	0.93	39	Arkansas	1.31
15	Idaho	0.94	40t	Montana	1.32
16t	Alabama	0.97	40t	Iowa	1.32
16t	California	0.97	42t	South Dakota	1.33
18t	Mississippi	0.98	42t	New Hampshire	1.33
18t	Minnesota	0.98	44t	Vermont	1.34
20	Utah	0.99	44t	Colorado	1.34
21	Rhode Island	1.00	46	Louisiana	1.42
22t	Massachusetts	1.01	47	New Mexico	1.43
22t	Oklahoma	1.01	48	West Virginia	1.45
24	Wisconsin	1.05	49	Wyoming	1.61
25t	Missouri	1.08	50	North Dakota	1.79

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Appendix R: Rankings of Per Capita State and Local Government Expenditures, 2010-11

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

Rank	State	GovSpend	Rank	State	GovSpend
1	Idaho	0.75	26	Maryland	0.97
2	Georgia	0.78	27t	Iowa	0.98
3t	Indiana	0.80	27t	Wisconsin	0.98
3t	Arkansas	0.80	29t	Ohio	0.99
3t	Oklahoma	0.80	29t	Colorado	0.99
3t	Arizona	0.80	31	Illinois	1.00
7t	Missouri	0.82	32	Oregon	1.02
7t	North Carolina	0.82	33t	Minnesota	1.03
9t	South Dakota	0.84	33t	Pennsylvania	1.03
9t	Nevada	0.84	33t	North Dakota	1.03
9t	Virginia	0.84	33t	Hawaii	1.03
12t	Florida	0.85	37	Nebraska	1.04
12t	Texas	0.85	38	Louisiana	1.05
12t	Tennessee	0.85	39	New Mexico	1.06
15	Alabama	0.86	40t	Rhode Island	1.07
16t	New Hampshire	0.87	40t	Delaware	1.07
16t	West Virginia	0.87	42	Washington	1.08
16t	Utah	0.87	43	Vermont	1.09
19	Kentucky	0.88	44	Connecticut	1.12
20t	Michigan	0.90	45t	New Jersey	1.13
20t	South Carolina	0.90	45t	Massachusetts	1.13
20t	Mississippi	0.90	47	California	1.20
23	Kansas	0.91	48	Wyoming	1.51
24	Montana	0.92	49	New York	1.52
25	Maine	0.94	50	Alaska	2.00

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Appendix S: Rankings of Per Capita State and Local Government Debt, 2010-11

(Index of Per Capita State and Local Debt)

Rank	State	Debt	Rank	State	Debt
1	Idaho	0.42	25t	Virginia	0.84
2	Wyoming	0.45	27	Florida	0.85
3	Arkansas	0.49	28	New Mexico	0.86
4	Mississippi	0.51	29	Louisiana	0.90
5	Oklahoma	0.54	30	New Hampshire	0.91
6	North Carolina	0.57	31t	Minnesota	0.94
7	Georgia	0.59	31t	South Carolina	0.94
8	West Virginia	0.63	33	Oregon	0.96
9t	Tennessee	0.64	34	Delaware	0.98
9t	Iowa	0.64	35	Kansas	1.01
9t	Montana	0.64	36	Kentucky	1.03
12	Alabama	0.65	37t	Pennsylvania	1.04
13	North Dakota	0.69	37t	Hawaii	1.04
14t	Ohio	0.72	39	Texas	1.08
14t	Maine	0.72	40t	Nevada	1.09
16t	South Dakota	0.75	40t	Colorado	1.09
16t	Nebraska	0.75	42	Washington	1.16
18	Utah	0.77	43	California	1.19
19	Michigan	0.80	44	Illinois	1.21
20t	Vermont	0.81	45	Rhode Island	1.22
20t	Indiana	0.81	46t	Connecticut	1.24
22t	Maryland	0.82	46t	New Jersey	1.24
22t	Missouri	0.82	48t	Massachusetts	1.51
24	Wisconsin	0.83	48t	Alaska	1.51
25t	Arizona	0.84	50	New York	1.84

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Appendix T: State Rankings of State and Local Revenue from the Federal Government as a Share of Total State and Local Revenue , 2010-11

(Ranked as an Index)

Rank	State	FedRev	Rank	State	FedRev
1	Nevada	0.69	23t	Hawaii	1.06
2	Colorado	0.75	23t	Utah	1.06
3	New Jersey	0.77	28	Pennsylvania	1.07
4	California	0.78	29	Indiana	1.08
5	Virginia	0.80	30	Texas	1.11
6	Washington	0.85	31	Idaho	1.13
7	Minnesota	0.88	32	Tennessee	1.15
8t	Illinois	0.90	33	Iowa	1.16
8t	Delaware	0.90	34	Missouri	1.17
10	Connecticut	0.91	35	Arizona	1.18
11	Nebraska	0.92	36	Rhode Island	1.21
12t	New Hampshire	0.93	37t	Wyoming	1.23
12t	Wisconsin	0.93	37t	Kentucky	1.23
14	Florida	0.94	37t	Oklahoma	1.23
15	Kansas	0.96	40	Michigan	1.24
16	Alaska	0.97	41	Alabama	1.25
17	New York	0.98	42	Arkansas	1.28
18	Oregon	0.99	43t	South Dakota	1.29
19t	Massachusetts	1.01	43t	Maine	1.29
19t	South Carolina	1.01	45	Montana	1.39
21	North Carolina	1.02	46	West Virginia	1.40
22	Georgia	1.03	47t	Louisiana	1.48
23t	North Dakota	1.05	47t	New Mexico	1.48
23t	Ohio	1.05	47t	Vermont	1.48
23t	Maryland	1.05	50	Mississippi	1.58

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Appendix U: State Rankings of Highway Cost Effectiveness

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

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Appendix V: Small Business Policy Index Scores by States Listed Alphabetically

State	Top PIT Rate	Top Ind CapGains Rate	PIDivInt	Top CIT Rate	Top Corp CapGains Rate	Added S-Corp. Rate	Indiv. AMT	Corp. AMT	PIT Rate Index
Alabama	3.020	4.000	4.000	4.225	4.225	0.000	0	0	1
Alaska	0.000	0.000	0.000	9.400	4.500	0.000	0	1	0
Arizona	4.540	4.540	4.540	6.968	6.968	0.000	0	0	1
Arkansas	7.000	4.900	7.000	6.500	6.500	0.000	0	0	0
California	13.300	13.300	13.300	8.840	8.840	1.500	1	1	0
Colorado	4.630	4.630	4.630	4.630	4.630	0.000	1	0	0
Connecticut	6.700	6.700	6.700	9.000	9.000	0.000	1	0	1
Delaware	6.750	6.750	6.750	8.700	8.700	0.000	0	0	1
Florida	0.000	0.000	0.000	5.500	5.500	0.000	0	1	0
Georgia	6.000	6.000	6.000	6.000	6.000	0.000	0	0	1
Hawaii	11.000	7.250	11.000	6.400	4.000	0.000	0	0	1
Idaho	7.400	7.400	7.400	7.400	7.400	0.000	0	0	0
Illinois	5.000	5.000	5.000	9.500	9.500	1.500	0	0	0
Indiana	3.400	3.400	3.400	7.500	7.500	0.000	0	0	0
Iowa	5.424	7.633	7.633	9.900	9.900	0.000	1	1	0
Kansas	4.900	4.900	4.900	7.000	7.000	0.000	0	0	1
Kentucky	6.000	6.000	6.000	6.000	6.000	0.750	0	0	1
Louisiana	3.624	4.800	4.800	5.200	5.200	5.200	0	0	1
Maine	7.950	7.950	7.950	8.930	8.930	0.000	1	1	0
Maryland	5.750	5.750	5.750	8.250	8.250	0.000	0	0	1
Massachusetts	5.250	5.250	5.250	8.000	8.000	4.500	0	0	0
Michigan	4.250	4.250	4.250	6.000	6.000	0.000	0	0	0
Minnesota	9.850	9.850	9.850	9.800	9.800	0.000	1	1	0
Mississippi	5.000	5.000	5.000	5.000	5.000	0.000	0	0	1
Missouri	6.000	6.000	6.000	5.156	5.156	0.000	0	0	1
Montana	6.900	4.900	6.900	6.750	6.750	0.000	0	0	0

Nebraska	6.840	6.840	6.840	7.810	7.810	0.000	1	0	1
Nevada	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
New Hampshire	0.000	0.000	5.000	8.500	8.500	8.500	0	0	0
New Jersey	8.970	8.970	8.970	9.000	9.000	0.000	0	1	1
New Mexico	4.900	2.450	4.900	7.600	7.600	0.000	0	0	1
New York	8.820	8.820	8.820	8.307	8.307	0.000	1	1	1
North Carolina	7.750	7.750	7.750	6.900	6.900	0.000	0	0	1
North Dakota	3.220	1.932	3.220	4.530	4.530	0.000	0	0	0
Ohio	5.421	5.421	5.421	0.000	0.000	0.000	0	0	0
Oklahoma	5.250	5.250	5.250	6.000	6.000	0.000	0	0	1
Oregon	9.900	9.900	9.900	7.600	7.600	0.000	0	0	1
Pennsylvania	3.070	3.070	3.070	9.990	9.990	0.000	0	0	0
Rhode Island	5.990	5.990	5.990	9.000	9.000	0.000	0	0	0
South Carolina	7.000	3.920	7.000	5.000	5.000	0.000	0	0	0
South Dakota	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
Tennessee	0.000	0.000	6.000	6.500	6.500	6.500	0	0	0
Texas	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
Utah	5.000	5.000	5.000	5.000	5.000	0.000	0	0	0
Vermont	8.950	8.950	8.950	8.500	8.500	0.000	0	0	0
Virginia	5.750	5.750	5.750	6.000	6.000	0.000	0	0	1
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
West Virginia	6.500	6.500	6.500	7.000	7.000	0.000	0	0	1
Wisconsin	7.650	5.355	7.650	7.900	7.900	0.000	1	0	0
Wyoming	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0

State	PIT Progressivity	CIT Progressivity	Property Taxes	Sales, Gross Rec & Excise	Death/Inheritance Taxes	Unemp. Tax	Tax Limit.	Internet Access Tax
Alabama	1.220	0.000	1.555	3.627	0	1.284	1	0
Alaska	0.000	8.400	4.536	1.913	0	4.225	1	0
Arizona	1.950	0.000	3.055	4.087	0	0.980	0	0
Arkansas	6.000	5.500	1.814	4.524	0	2.229	0	0
California	12.300	0.000	3.191	3.189	0	0.764	0	0
Colorado	0.000	0.000	3.688	2.891	0	1.207	0	0
Connecticut	3.700	0.000	4.531	2.477	5	1.643	1	0
Delaware	4.550	0.000	1.764	1.039	5	1.664	0	0
Florida	0.000	0.000	3.440	3.877	0	1.000	1	0
Georgia	5.000	0.000	2.920	3.013	0	1.663	1	0
Hawaii	9.600	2.000	2.238	5.680	5	4.929	1	1
Idaho	5.800	0.000	2.590	2.655	0	6.546	1	0
Illinois	0.000	0.000	4.255	2.858	5	2.336	1	0
Indiana	0.000	0.000	2.725	3.546	0	1.705	1	0
Iowa	5.100	4.800	3.526	3.032	5	5.800	1	0
Kansas	1.900	3.000	3.369	3.380	0	1.829	1	0
Kentucky	4.000	2.000	2.042	3.218	5	2.299	0	0
Louisiana	1.824	1.800	2.004	4.870	0	1.103	0	0
Maine	3.450	5.430	4.760	2.875	5	2.518	1	0
Maryland	3.750	0.000	2.832	2.222	5	2.124	1	0
Massachusetts	0.000	0.000	3.762	1.892	5	2.821	1	0
Michigan	0.000	0.000	3.761	3.385	0	2.247	1	0
Minnesota	2.500	0.000	3.426	3.212	5	6.388	1	0
Mississippi	2.000	2.000	2.657	4.067	0	2.107	0	0
Missouri	4.500	0.000	2.557	2.882	0	2.969	0	0
Montana	5.900	0.000	3.669	0.911	0	4.603	1	0
Nebraska	4.280	2.230	3.751	2.727	5	1.487	1	0

Nevada	0.000	0.000	2.896	5.025	0	3.327	0	0
New Hampshire	0.000	0.000	5.496	1.228	0	2.030	1	0
New Jersey	7.570	0.000	5.439	2.460	5	3.372	1	0
New Mexico	3.200	2.800	1.897	4.655	0	3.038	1	1
New York	4.820	0.000	4.617	3.586	5	1.207	1	0
North Carolina	1.750	0.000	2.474	3.039	0	3.316	1	0
North Dakota	2.480	3.470	2.334	3.653	0	6.864	1	1
Ohio	5.338	0.000	3.016	2.927	0	1.851	1	1
Oklahoma	4.750	0.000	1.573	3.348	0	4.442	0	0
Oregon	4.900	1.000	3.444	0.686	5	4.161	0	0
Pennsylvania	0.000	0.000	3.069	2.936	5	1.858	1	0
Rhode Island	2.240	0.000	4.915	2.937	5	4.784	1	0
South Carolina	4.000	0.000	3.049	2.641	0	2.653	1	0
South Dakota	0.000	0.000	2.862	3.907	0	3.380	0	1
Tennessee	0.000	0.000	2.181	4.325	5	2.047	1	0
Texas	0.000	0.000	3.895	3.729	0	1.349	1	1
Utah	0.000	0.000	2.680	3.286	0	5.429	1	0
Vermont	5.400	2.500	5.250	3.120	5	3.281	1	0
Virginia	3.750	0.000	2.987	1.975	0	1.073	1	0
Washington	0.000	0.000	2.867	5.399	5	4.473	0	1
West Virginia	3.500	0.000	2.298	3.558	0	2.568	1	0
Wisconsin	3.150	0.000	4.293	2.721	0	3.269	1	1
Wyoming	0.000	0.000	4.579	4.235	0	5.339	1	0

State	RemoteSellerTax	Gas Tax	Diesel Tax	Wireless Tax	HSA Deduct	Health: GI/SE	Health: CR/SG	Health: GI/Ind
Alabama	0	0.209	0.219	0.075	1	0	0.33	0.00
Alaska	0	0.124	0.127	0.121	0	0	0.33	0.00
Arizona	0	0.190	0.270	0.130	0	0	0.33	0.00
Arkansas	1	0.218	0.228	0.115	0	0	0.33	0.00
California	1	0.532	0.518	0.110	1	0	0.33	0.00
Colorado	0	0.220	0.205	0.108	0	1	0.66	0.00
Connecticut	1	0.493	0.549	0.074	0	1	0.66	0.00
Delaware	0	0.230	0.220	0.063	0	1	0.33	0.00
Florida	0	0.354	0.305	0.166	0	1	0.33	0.00
Georgia	1	0.285	0.320	0.088	0	0	0.33	0.00
Hawaii	0	0.503	0.525	0.075	0	1	0.00	0.00
Idaho	0	0.250	0.250	0.023	0	0	0.33	0.50
Illinois	0	0.391	0.445	0.159	0	0	0.33	0.00
Indiana	0	0.382	0.502	0.109	0	0	0.33	0.00
Iowa	0	0.220	0.235	0.080	0	0	0.33	0.00
Kansas	0	0.250	0.270	0.131	0	0	0.33	0.00
Kentucky	0	0.323	0.293	0.106	0	0	0.33	0.00
Louisiana	0	0.200	0.200	0.105	0	0	0.33	0.00
Maine	1	0.315	0.327	0.073	0	1	0.66	1.00
Maryland	0	0.270	0.278	0.128	0	0	0.66	0.00
Massachusetts	0	0.265	0.265	0.079	0	1	0.66	1.00
Michigan	0	0.393	0.390	0.077	0	1	0.66	0.50
Minnesota	1	0.286	0.286	0.095	0	0	0.33	0.00
Mississippi	0	0.188	0.188	0.092	0	1	0.33	0.00
Missouri	0	0.173	0.173	0.143	0	0	0.33	0.00
Montana	0	0.278	0.286	0.061	0	0	0.33	0.00
Nebraska	0	0.272	0.266	0.187	0	0	0.33	0.00
Nevada	0	0.331	0.286	0.021	0	0	0.33	0.00
New	0	0.196	0.196	0.082	0	1	0.66	0.00

Hampshire								
New Jersey	0	0.145	0.175	0.089	1	0	0.66	1.00
New Mexico	0	0.189	0.228	0.111	0	0	0.33	0.00
New York	1	0.499	0.497	0.179	0	0	1.00	1.00
North Carolina	1	0.378	0.378	0.085	0	1	0.33	0.00
North Dakota	0	0.230	0.230	0.110	0	0	0.33	0.00
Ohio	0	0.280	0.280	0.080	0	0	0.33	0.50
Oklahoma	0	0.170	0.140	0.115	0	0	0.33	0.00
Oregon	0	0.311	0.303	0.019	0	0	0.33	0.50
Pennsylvania	0	0.323	0.392	0.141	0	0	0.33	0.00
Rhode Island	1	0.330	0.330	0.147	0	1	0.66	0.50
South Carolina	0	0.168	0.168	0.101	0	0	0.33	0.00
South Dakota	0	0.220	0.240	0.131	0	0	0.33	0.00
Tennessee	0	0.214	0.184	0.116	0	0	0.33	0.00
Texas	1	0.200	0.200	0.122	0	0	0.33	0.00
Utah	0	0.245	0.245	0.127	0	0	0.33	0.50
Vermont	0	0.323	0.310	0.081	0	1	0.66	1.00
Virginia	0	0.173	0.261	0.066	0	0	0.00	0.00
Washington	0	0.375	0.375	0.186	0	1	0.66	1.00
West Virginia	0	0.347	0.347	0.064	0	0	0.33	0.50
Wisconsin	0	0.329	0.329	0.072	0	0	0.33	0.00
Wyoming	0	0.240	0.240	0.078	0	0	0.33	0.00

State	Health: CR/Ind	HighRisk	Health: Mandates	Electric Utilities Costs	Renewable Mandate	Workers' Comp.	Crime Rate	Right to Work
Alabama	0.00	0.00	0.95	0.901	0	1.18	3.95	0
Alaska	0.00	0.00	1.85	1.635	0	2.45	3.34	1
Arizona	0.00	1.00	1.75	1.010	1	0.82	3.97	0
Arkansas	0.00	0.00	2.20	0.778	0	0.78	4.13	0
California	0.00	0.00	2.80	1.414	1	1.71	3.18	1
Colorado	0.00	0.00	3.05	0.967	1	0.86	3.99	1
Connecticut	0.00	0.00	3.25	1.561	1	1.10	2.42	1
Delaware	0.00	1.00	1.70	1.097	1	1.17	3.89	1
Florida	0.00	0.00	2.60	1.026	0	1.18	3.76	0
Georgia	0.00	1.00	2.15	0.950	0	1.09	3.79	0
Hawaii	0.00	1.00	1.40	3.337	1	1.45	3.31	1
Idaho	0.33	1.00	0.65	0.739	0	1.55	2.19	0
Illinois	0.00	0.00	2.45	0.802	1	1.39	2.99	1
Indiana	0.00	0.00	1.80	0.856	0	0.83	3.37	0
Iowa	0.33	0.00	1.30	0.802	1	1.56	2.54	0
Kansas	0.00	0.00	2.30	0.959	1	1.24	3.50	0
Kentucky	0.33	0.00	2.45	0.740	0	1.24	2.78	1
Louisiana	0.33	0.00	2.55	0.794	0	1.53	4.04	0
Maine	0.66	1.00	2.40	1.194	1	1.55	2.63	1
Maryland	0.00	0.00	3.35	1.144	1	1.05	3.23	1
Massachusetts	0.66	1.00	2.45	1.422	1	0.73	2.56	1
Michigan	0.00	1.00	1.20	1.129	1	1.04	2.99	0
Minnesota	0.33	0.00	3.25	0.947	1	1.04	2.80	1
Mississippi	0.00	0.00	1.55	0.900	0	1.34	3.07	0
Missouri	0.00	0.00	3.20	0.901	1	1.08	3.77	1
Montana	0.00	0.00	2.05	0.851	1	2.54	2.86	1
Nebraska	0.00	0.00	2.35	0.863	0	1.34	3.01	0
Nevada	0.33	1.00	1.90	0.883	1	1.00	3.42	0

New Hampshire	0.33	0.00	1.90	1.440	1	1.13	2.51	1
New Jersey	0.66	1.00	2.35	1.366	1	1.27	2.34	1
New Mexico	0.33	0.00	2.95	0.915	1	1.36	4.16	1
New York	1.00	1.00	3.10	1.560	1	1.28	2.33	1
North Carolina	0.00	0.00	2.75	0.905	1	1.19	3.72	0
North Dakota	0.33	0.00	2.00	0.803	0.5	1.48	2.25	0
Ohio	0.00	1.00	1.55	0.912	1	1.17	3.42	1
Oklahoma	0.00	0.00	2.15	0.773	0.5	2.05	3.87	0
Oregon	0.66	0.00	2.25	0.831	1	1.10	3.47	1
Pennsylvania	0.00	1.00	2.80	0.981	1	1.57	2.52	1
Rhode Island	0.00	1.00	3.45	1.348	1	1.07	2.82	1
South Carolina	0.00	0.00	1.50	0.907	0	1.66	4.38	0
South Dakota	0.33	0.00	1.45	0.870	0.5	1.26	2.38	0
Tennessee	0.00	0.00	2.00	0.923	0	1.09	4.02	0
Texas	0.00	0.00	3.10	0.873	1	0.71	3.77	0
Utah	0.33	0.00	1.30	0.810	0.5	0.84	3.20	0
Vermont	0.66	1.00	2.30	1.448	0.5	1.67	2.54	1
Virginia	0.00	1.00	3.30	0.894	0.5	0.73	2.35	0
Washington	0.66	0.00	2.80	0.701	1	1.46	3.95	1
West Virginia	0.00	0.00	2.15	0.799	1	1.96	2.68	1
Wisconsin	0.00	0.00	2.15	1.063	1	1.78	2.73	1
Wyoming	0.00	0.00	1.85	0.746	0	1.74	2.50	0

State	State Min. Wage	PaidFamLeave	E-Verify	State Liability	Reg. Flex	Gov Employ	SpendTrend	SpendvsAvg
Alabama	0.00	0	1.0	2.32	1.0	5.93	0.97	0.86
Alaska	0.50	0	0.0	0.89	0.0	7.57	1.29	2.00
Arizona	0.55	0	1.0	2.02	0.0	4.33	0.67	0.80
Arkansas	0.00	0	0.0	2.43	0.5	6.45	1.31	0.80
California	0.75	1	0.0	2.84	0.0	4.65	0.97	1.20
Colorado	0.53	0	0.5	2.57	0.5	5.28	1.34	0.99
Connecticut	1.00	0	0.0	2.85	0.0	5.17	1.28	1.12
Delaware	0.00	0	0.0	2.08	0.0	5.48	0.62	1.07
Florida	0.54	0	0.5	3.51	0.0	4.66	0.52	0.85
Georgia	0.00	0	1.0	2.43	0.0	5.19	0.63	0.78
Hawaii	0.00	0	0.0	0.92	0.5	5.36	1.16	1.03
Idaho	0.00	0	0.5	1.58	1.0	4.96	0.94	0.75
Illinois	1.00	0	0.0	3.43	0.0	4.87	1.28	1.00
Indiana	0.00	0	0.5	2.43	0.0	5.06	0.76	0.80
Iowa	0.00	0	0.0	1.77	0.0	5.79	1.32	0.98
Kansas	0.00	0	0.0	1.90	1.0	6.86	1.25	0.91
Kentucky	0.00	0	0.0	2.68	0.5	5.65	1.24	0.88
Louisiana	0.00	0	0.5	1.79	0.0	6.16	1.42	1.05
Maine	0.25	0	0.0	1.55	0.0	5.67	0.84	0.94
Maryland	0.00	0	0.0	2.32	0.5	5.27	1.22	0.97
Massachusetts	0.75	0	0.0	2.02	0.5	4.87	1.01	1.13
Michigan	0.15	0	0.0	2.97	0.0	4.62	0.93	0.90
Minnesota	0.00	0	0.5	2.33	0.5	5.19	0.98	1.03
Mississippi	0.00	0	1.0	2.11	1.0	6.45	0.98	0.90
Missouri	0.10	0	0.5	3.00	0.5	5.28	1.08	0.82
Montana	0.55	0	0.0	2.97	1.0	5.80	1.32	0.92
Nebraska	0.00	0	0.5	2.58	1.0	6.57	1.08	1.04
Nevada	1.00	0	0.0	2.76	0.0	4.20	0.71	0.84

New Hampshire	0.00	0	0.0	2.22	0.5	5.48	1.33	0.87
New Jersey	0.00	1	0.0	4.01	0.0	5.53	0.82	1.13
New Mexico	0.25	0	0.0	2.73	0.5	6.04	1.43	1.06
New York	0.00	0	0.0	3.81	0.0	6.04	1.12	1.52
North Carolina	0.00	0	1.0	0.98	1.0	5.76	0.86	0.82
North Dakota	0.00	0	0.0	1.20	0.5	6.59	1.79	1.03
Ohio	0.60	0	0.0	2.01	0.5	5.15	0.88	0.99
Oklahoma	0.00	0	0.5	2.63	0.5	5.66	1.01	0.80
Oregon	1.70	0	0.0	2.60	0.0	5.10	1.13	1.02
Pennsylvania	0.00	0	0.0	3.40	0.5	4.65	1.19	1.03
Rhode Island	0.50	0	0.0	2.73	0.0	4.73	1.00	1.07
South Carolina	0.00	0	1.0	1.98	0.0	5.42	0.78	0.90
South Dakota	0.00	0	0.0	1.20	0.5	5.56	1.33	0.84
Tennessee	0.00	0	1.0	2.14	0.0	5.11	0.86	0.85
Texas	0.00	0	0.0	2.03	0.5	5.65	1.18	0.85
Utah	0.00	0	1.0	1.94	0.0	5.24	0.99	0.87
Vermont	1.35	0	0.0	2.68	0.0	6.33	1.34	1.09
Virginia	0.00	0	0.5	1.64	0.0	5.42	0.83	0.84
Washington	1.94	0	0.0	2.47	0.0	5.07	1.12	1.08
West Virginia	0.00	0	0.5	2.41	0.0	5.59	1.45	0.87
Wisconsin	0.00	0	0.0	1.69	0.0	4.96	1.05	0.98
Wyoming	0.00	0	0.0	2.07	1.0	9.28	1.61	1.51

State	StateLocalDebt	FederalRev	EmDomainLeg	CrowdFund	HgwyCostEff	EducReform	SBPI
Alabama	0.65	1.25	1.2	1	1.35	2.25	57.758
Alaska	1.51	0.97	3.3	1	2.50	2.00	69.487
Arizona	0.84	1.18	1.2	1	1.15	0.75	64.590
Arkansas	0.49	1.28	3.9	1	1.80	1.75	83.462
California	1.19	0.78	0.3	1	2.35	1.50	113.637
Colorado	1.09	0.75	2.4	1	2.05	1.50	65.500
Connecticut	1.24	0.91	3.3	1	2.20	2.00	94.632
Delaware	0.98	0.90	1.2	1	1.00	1.75	81.452
Florida	0.85	0.94	0.6	1	1.85	1.00	48.863
Georgia	0.59	1.03	1.2	0	0.60	1.25	70.307
Hawaii	1.04	1.06	3.9	1	2.40	2.00	107.070
Idaho	0.42	1.13	3.0	1	0.85	1.25	80.782
Illinois	1.21	0.90	3.0	1	1.70	1.75	83.047
Indiana	0.81	1.08	1.5	1	1.10	0.75	58.138
Iowa	0.64	1.16	1.8	1	1.65	1.75	97.002
Kansas	1.01	0.96	1.5	0	0.10	2.00	71.645
Kentucky	1.03	1.23	3.0	1	0.70	2.25	80.061
Louisiana	0.90	1.48	1.5	1	1.75	1.00	70.051
Maine	0.72	1.29	3.0	1	1.45	2.00	103.264
Maryland	0.82	1.05	3.3	1	2.00	2.25	84.491
Massachusetts	1.51	1.01	3.9	1	2.15	1.75	86.408
Michigan	0.80	1.24	0.9	1	1.50	1.25	62.782
Minnesota	0.94	0.88	1.5	1	2.10	1.50	103.486
Mississippi	0.51	1.58	1.2	1	0.50	2.00	66.713
Missouri	0.82	1.17	3.3	1	0.40	1.75	73.703
Montana	0.64	1.39	3.3	1	0.25	2.50	81.169
Nebraska	0.75	0.92	3.0	1	0.30	2.50	88.476
Nevada	1.09	0.69	1.2	1	0.80	1.50	37.537
New Hampshire	0.91	0.93	1.2	1	0.90	1.75	68.789

New Jersey	1.24	0.77	3.9	1	2.30	1.75	109.265
New Mexico	0.86	1.48	0.9	1	0.20	1.75	76.799
New York	1.84	0.98	3.9	1	2.25	2.00	107.213
North Carolina	0.57	1.02	2.7	1	0.95	1.75	80.777
North Dakota	0.69	1.05	0.6	1	0.05	2.50	63.490
Ohio	0.72	1.05	3.3	1	1.25	1.00	61.372
Oklahoma	0.54	1.23	3.9	1	1.90	0.75	73.392
Oregon	0.96	0.99	1.2	1	0.65	1.75	94.952
Pennsylvania	1.04	1.07	1.5	1	1.95	1.25	73.685
Rhode Island	1.22	1.21	3.6	1	2.45	2.25	94.255
South Carolina	0.94	1.01	1.2	1	0.35	1.75	66.808
South Dakota	0.75	1.29	0.6	1	0.45	2.25	34.627
Tennessee	0.64	1.15	3.6	1	1.05	1.75	68.081
Texas	1.08	1.11	1.8	1	0.55	1.50	39.520
Utah	0.77	1.06	1.5	1	1.30	1.25	62.740
Vermont	0.81	1.48	3.6	1	1.40	2.25	107.221
Virginia	0.84	0.80	0.6	1	0.75	2.00	65.538
Washington	1.16	0.85	2.7	1	1.20	2.00	54.500
West Virginia	0.63	1.40	2.7	1	1.60	2.25	79.011
Wisconsin	0.83	0.93	2.1	1	1.55	1.25	80.024
Wyoming	0.45	1.23	1.5	1	0.15	1.75	44.414

About the Author

Raymond J. Keating is chief economist for the Small Business & Entrepreneurship Council.

Keating is the author of several books, including *Unleashing Small Business Through IP: Protecting Intellectual Property, Driving Entrepreneurship*, *"Chuck" vs. the Business World: Business Tips on TV*, and a series of thrillers.

He also is a weekly columnist with the *Long Island Business News*; and an adjunct professor in the MBA program at the Townsend School of Business at Dowling College.

His work has appeared in a wide range of additional periodicals, including *The New York Times, The Wall Street Journal*, *The Washington Post, New York Post,* Los Angeles *Daily News, The Boston Globe, National Review, The Washington Times*, *Investor's Business Daily*, New York *Daily News, Detroit Free Press, Chicago Tribune, Providence Journal Bulletin,* and *Cincinnati Enquirer*.

SBE Council is a nonprofit, nonpartisan advocacy, research and education organization dedicated to protecting small business and promoting entrepreneurship.

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