



*19th Annual Edition*

## **SMALL BUSINESS POLICY INDEX 2014**

Ranking the States on  
Policy Measures and  
Costs Impacting  
Small Business and  
Entrepreneurship

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## Small Business Policy Index 2014: State Rankings

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

Rank	State	SBPI	Rank	State	SBPI
1	South Dakota	35.378	26	New Mexico	76.843
2	Nevada	36.628	27	New Hampshire	77.935
3	Texas	38.562	28	West Virginia	78.587
4	Wyoming	46.668	29	Pennsylvania	78.700
5	Florida	49.109	30	Wisconsin	81.594
6	Washington	52.010	31	Massachusetts	82.169
7	Alabama	59.036	32	Delaware	82.505
8	Indiana	62.646	33	Montana	83.027
9	Colorado	62.754	34	Idaho	83.092
10	North Dakota	63.134	35	Illinois	84.764
11	Ohio	63.736	36	Kentucky	84.952
12	Arizona	63.755	37	Arkansas	85.457
13	Utah	64.555	38	Maryland	86.461
14	Michigan	64.720	39	Nebraska	91.083
15	Virginia	66.771	40	Rhode Island	91.891
16	Mississippi	68.045	41	Connecticut	94.919
17	South Carolina	69.218	42	Maine	96.638
18	Alaska	69.933	43	Iowa	97.209
19	Georgia	70.628	44	Oregon	97.395
20	Louisiana	71.806	45	Vermont	102.754
21	North Carolina	72.034	46	Minnesota	105.913
22	Kansas	72.068	47	Hawaii	105.922
23	Missouri	73.570	48	New York	107.393
24	Oklahoma	74.082	49	New Jersey	112.529
25	Tennessee	75.436	50	California	118.454

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## Introduction: State Policies Matter

The “Small Business Policy Index: Ranking the States on Policy Measures and Costs Impacting Small Business and Entrepreneurship” 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 business growth. 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 42 measures included in the 2014 edition of the Index, 24 are taxes or tax related, 9 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 the array of 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 “Small Business Policy Index” by discarding the basic tenets of sound economics in favor of political fantasies. Higher taxes and tax complexity, increased regulation, and excessive 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 the Index. In the end, the greater the governmental burdens – via taxes, regulations, spending, debt, and failures to adequately and efficiently 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 “Small Business Policy Index” deals with carefully and in depth. This Index pits economic reality against government and political fantasies. And that economic reality shows up in key results. **Consider the striking relationships between Index results and economic performance:**

**State Economic Growth.** Real economic growth from 2010 to 2013 among the top 25 states ranked on the 2014 “Small Business Policy Index” averaged 2.4 percent, which was 33 percent faster than the 1.8 percent average rate for the bottom 25 states. The 2.4 percent rate also was notably faster (20 percent faster) than the 2.0 percent rate for the nation as a whole.



**Population Growth.** The top 25 states ranked on the 2014 “Small Business Policy Index” had an increased population of 4.8 million versus only 2.5 million among the bottom 25 ranked states. That is, the increase in population among the top 25 states on the Index was 92 percent higher than the population increase among the Index’s bottom 25 states.

**Population Movements – Net Domestic Migration.** Perhaps most telling is net domestic or internal migration, or 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 2013, the top 25 states on the “Small Business Policy Index” netted a 1,007,768 increase in population at the expense of the bottom 25 states, which lost 1,028,741 (with the District of Columbia’s gain explaining the difference).

So, there is a notable difference between the states ranked in the top half versus the bottom half of the “Small Business Policy Index” when it comes to economic growth, population growth, and movement among the states. It should not be surprising that, on average, states that impose lower overall governmental burdens on entrepreneurship, business and investment outperform states that impose heavier burdens. When it comes to the economy, quite simply, state policies matter.

### **The Measures: What’s Included and Why**

The “Small Business Policy Index 2014” (this is the nineteenth year that SBE Council has done this analysis, though previous year’s results are not comparable to the current year due to revisions and expansion) ties together 42 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.<sup>1</sup>*

- **Individual Capital Gains Tax.** One of the biggest obstacles that start-ups or expanding businesses face is access to capital. State capital gains taxes, therefore, affect the economy by directly 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.

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<sup>1</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, Federal of Tax Administrators at [www.taxadmin.org](http://www.taxadmin.org), and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.

*Measurement in the Small Business Policy Index: state's top capital gains tax rate on individuals.<sup>2</sup>*

• **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.<sup>3</sup>*

• **Corporate Income Tax.** State corporate income tax rates similarly affect a broad range of business decisions — most clearly decisions relating to investment and location – and obviously make a difference in the bottom line returns of corporations.

*Measurement in the Small Business Policy Index: state's top corporate income tax rate.<sup>4</sup>*

• **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.<sup>5</sup>*

• **Additional Income Tax on S-Corporations.** Subchapter S-Corporations let certain businesses adopt the benefits of a corporation, while allowing income to pass through to be taxed at the individual level. Most states recognize S Corporations, but a few either tax such businesses like other corporations or impose some 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.<sup>6</sup>*

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<sup>2</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, Federal of Tax Administrators at [www.taxadmin.org](http://www.taxadmin.org), and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

<sup>3</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, Federal of Tax Administrators at [www.taxadmin.org](http://www.taxadmin.org), and state specific sources. Note: Tax rates reflect deductibility of federal income taxes in certain states.

<sup>4</sup> Data Source: CCH Incorporated, *2014 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.

<sup>5</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, Federal of Tax Administrators at [www.taxadmin.org](http://www.taxadmin.org), and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.

<sup>6</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, and state specific sources.

- **Additional Income Tax on LLCs.** LLCs allow certain businesses to adopt the benefits of a corporation, while allowing income to pass through to be taxed at the individual level. Most states recognize LLCs, 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 LLCs beyond the top personal income tax rate.<sup>7</sup>*

- **Average Local Personal Income Tax Rate.** As is the case with state and federal levies, local income taxes affect individual economic decision-making in important ways. A high personal income tax rate raises the costs of working, saving, investing, and risk taking. Such an additional income tax raises costs, restrains investment, and hurts competitiveness.

*Measurement in the Small Business Policy Index: average additional income tax rate imposed in the largest city and capital city in each state.<sup>8</sup>*

- **Individual Alternative Minimum Tax.** The individual alternative minimum tax (AMT) imposes a minimum tax rate that must be paid by individuals, regardless the tax credits or deductions taken. The AMT diminishes the effectiveness of potentially positive, pro-growth tax relief measures, while also raising the costs of tax compliance.

*Measurement in the Small Business 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").<sup>9</sup>*

- **Corporate Alternative Minimum Tax.** The corporate alternative minimum tax (AMT) imposes a minimum tax rate that must be paid by corporations, regardless of the available tax credits or deductions taken. Again, the AMT diminishes the effectiveness of potentially positive, pro-growth tax relief measures, and hikes compliance costs, in particular by forcing firms to effectively calculate their taxes under two tax codes.

*Measurement in the Small Business 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").<sup>10</sup>*

- **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.

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<sup>7</sup> Data Source: "State Tax Treatment of Limited Liability Companies and Limited Liability Partnerships," *Journal of Multistate Taxation and Incentives*, May 2014.

<sup>8</sup> Data Source: Tax Foundation, "2015 State Business Tax Climate Index."

<sup>9</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, and state specific sources.

<sup>10</sup> Data Source: CCH Incorporated, *2014 State Tax Handbook*, and state specific sources.

*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”).<sup>11</sup>*

• **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.<sup>12</sup>*

• **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.<sup>13</sup>*

• **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).<sup>14</sup>*

• **Sales, Gross Receipts and Excise Taxes.** State and local sales, gross receipts and excise (including tobacco, alcohol and insurance) taxes impact the economic decisions of individuals and families, as well as various businesses. High consumption-based taxes can re-direct consumer purchases, and, especially if combined with other levies like income and property taxes, can serve as real disincentives to productive economic activity. In addition, gross receipts taxes present problems because, unlike other consumption-based levies, they are largely hidden from the view of consumers, and therefore, are easier to increase.

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<sup>11</sup> Data Source: The Federation of Tax Administrators website at [www.taxadmin.org](http://www.taxadmin.org).

<sup>12</sup> Data Source: The Federation of Tax Administrators website at [www.taxadmin.org](http://www.taxadmin.org), with some rates updated.

<sup>13</sup> Data Source: The Federation of Tax Administrators website at [www.taxadmin.org](http://www.taxadmin.org), with some rates updated.

<sup>14</sup> 2010-11 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.



*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).*<sup>15</sup>

• **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”).*<sup>16</sup>

• **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.*<sup>17</sup>

• **Tax Limitation States.** Requiring supermajority votes from elected officials and/or approval from voters in order to increase or impose taxes, serve as checks on the growth of taxes and government in general. 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.

*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”).*<sup>18</sup>

• **Internet Taxes.** The Internet serves as a tremendous boost to economic growth and a great expansion of economic opportunity. For small businesses, the Internet allows for greater access to information and markets. Indeed, the Internet gives smaller enterprises access to global markets that they might not have had in the past. Unfortunately, some states have chosen to impose sales taxes on Internet access.

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<sup>15</sup> 2010-11 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>16</sup> Data Source: McGuireWoods LLP, “2014 State Death Tax Chart,” McGuireWoods LLP, March 23, 2014.

<sup>17</sup> Data Source: U.S. Bureau of Labor Statistics, including “Significant Provisions of State Unemployment Insurance Laws Effective January 2014.”

<sup>18</sup> Source: National Conference of State Legislatures at [www.ncsl.org](http://www.ncsl.org).

*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”).*<sup>19</sup>

• **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”).*<sup>20</sup>

• **Gas Tax.** Every business is affected by the costs of operating motor vehicles – from trucking firms to the home-based business paying for delivery services. State government directly impacts these costs through taxes on motor fuels.

*Measurement in the Small Business Policy Index: state gas tax (dollars per gallon).*<sup>21</sup>

• **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).*<sup>22</sup>

• **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).*<sup>23</sup>

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<sup>19</sup> Steven Maguire and Nonna Noto, “Internet Taxation: Issues and Legislation in the 109<sup>th</sup> Congress,” CRS Report for Congress, February 2, 2006; Daniel Castro, “The Case for Tax-Free Internet Access: A Primer on the Internet Tax Freedom Act,” The Information Technology & Innovation Foundation, June 2007; and PriceWaterhouseCoopers LLC, “Internet Tax Freedom Act temporarily extended,” September 24, 2014.

<sup>20</sup> 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.*

<sup>21</sup> Data Source: “State Motor Fuel Taxes: Notes Summary,” October 1, 2014, American Petroleum Institute.

<sup>22</sup> Data Source: “State Motor Fuel Taxes: Notes Summary,” October 1, 2014, American Petroleum Institute.

<sup>23</sup> Source: Scott Mackey and Joseph Henchman, “Wireless taxation in the United States 2014,” Tax Foundation, October 2014.

- **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.”*<sup>24</sup>

- **Energy Regulation Index.** A study from the Pacific Research Institute, written by economists Wayne Winegarden and Marc Miles, titled “The 50 State Index of Energy Regulation” ranks the states according to energy regulatory costs. As the authors put it, “As economists, we have adopted a basic economic perspective—economic efficiency—defined as allocating resources to their most productive uses. The effects of policies are evaluated, as objectively as possible, solely from that perspective. Policies that promote economic efficiency receive higher scores, those that reduce economic efficiency receive lower scores. Given the regulatory variation across states, a picture emerges of where in the country the regulatory environment for energy consumption, production, and distribution is relatively more economically efficient.” And later: “Energy is one of the essential ingredients that drives economic growth in a modern economy. Consequently, states that encourage the efficient production and consumption of energy should be expected to experience faster economic growth than those states that discourage economic efficiency in the energy marketplace.”

*Measurement in the Small Business Policy Index: average score on “The 50 State Index of Energy Regulation.”*<sup>25</sup>

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

*Measurement in the Small Business Policy Index: state workers’ compensation employer costs per \$100 of payroll.*<sup>26</sup>

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

*Measurement in the Small Business Policy Index: state’s crime rate per 100 residents.*<sup>27</sup>

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<sup>24</sup> Data source: HSA for America at <http://www.hsaforamerica.com>.

<sup>25</sup> Data Source: Pacific Research Institute, “The 50 State Index of Energy Regulation,” July 2014.

<sup>26</sup> Data Source: “Workers’ Compensation: Benefits, Coverage, and Costs, 2012,” National Academy of Social Insurance, August 2014.

• **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”).<sup>28</sup>*

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

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

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

*Measurement in the Small Business 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.<sup>30</sup>*

• **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.<sup>31</sup>*

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<sup>27</sup> Data Source: 2012 data from the U.S. Federal Bureau of Investigation, *Crime in the United States 2012*.

<sup>28</sup> Data Source: National Right to Work Legal Defense Foundation.

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

<sup>30</sup> Data sources: Sources included [http://www.uschambersmallbusinessnation.com/toolkits/guide/P05\\_4370](http://www.uschambersmallbusinessnation.com/toolkits/guide/P05_4370), [www.paidfamilyleave.org](http://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.")*<sup>32</sup>

• **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).*<sup>33</sup>

• **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).*<sup>34</sup>

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<sup>31</sup> Data Source: "E-Verify Requirements: Federal, State, County and Municipal Levels," LawLogix, September 22, 2014.

<sup>32</sup> Data Source: Lawrence J. McQuillan and Hovannes Abramyan, "U.S. Tort Liability Index: 2010 Report," Pacific Research Institute.

<sup>33</sup> Source: U.S. Small Business Administration, Office of Advocacy, "Research on State Regulatory Flexibility Acts," May 2013.

<sup>34</sup> 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.*<sup>35</sup>

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

*Measurement in the Small Business Policy Index: index of per capita state and local government expenditures (2010-11).*<sup>36</sup>

• **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).*<sup>37</sup>

• **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.*<sup>38</sup>

• **Protecting Private Property.** The June 2005 U.S. Supreme Court decision in the *Kelo v. City of New London* case ignited a firestorm of protests across the nation. Homeowners and small businesses realized how vulnerable they were to losing their property. If the government decided it could

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<sup>35</sup> Data Source: 2010-11 versus 2005-06 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>36</sup> Data Source: 2010-11 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>37</sup> Data Source: 2010-11 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>38</sup> 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).<sup>39</sup>*

• **Intrastate Equity Crowdfunding.** Crowdfunding allows individuals, entrepreneurs, businesses, or other organization to raise 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 equity and debt-based 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).<sup>40</sup>*

• **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.”<sup>41</sup>*

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<sup>39</sup> Data Source: Institute for Justice, Castle Coalition at [www.castlecoalition.org](http://www.castlecoalition.org).

<sup>40</sup> Prepared as a collaboration by Crowdcheck, Anthony J. Zeoli, Esq. of Ginsberg Jacobs LLC, and Georgia P. Quinn, Esq. of Seyfarth Shaw LLP, “Summary of ENACTED Intrastate Crowdfunding Exemptions (as of July, 2014).”

<sup>41</sup> Data Source: David Hartgen, M. Gregory Fields, and Baruch Feigenbaum, “21st Annual Report on the Performance of State Highway Systems (1984-2012,” The Reason Foundation, September 2014.

- **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.”<sup>42</sup>*

## 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.”<sup>43</sup>

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<sup>42</sup> Dr. Matthew Ladner and David Mylinski, “Report Card on American Education: Ranking State K-12 Performance, Progress and Reform,” 19<sup>th</sup> edition, American Legislative Exchange, 2014.

<sup>43</sup> 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.”<sup>44</sup>
- A June 3, 2003, report (“Taxation and Migration”) written by Ohio University Distinguished Professor of Economics Richard Vedder for The Taxpayers Network noted recent trends in net domestic migration among the states (excluding international migration). Vedder split the country in two categories – 25 high tax states and 25 low tax states – based on state and local tax burden as a share of personal income. From 1990 to 1999, low tax states gained 2.05 million people in terms of net domestic migration, while high tax states lost 890,000. This pattern continued in the post-1990s. From 2000 to 2002, as low tax states gained 729,000, and high tax states lost 371,000 in net domestic migration. Vedder also observed that “the in-migration into states without income taxes was impressive – as was the out-migration from high-tax states.” He noted that his accompanying econometric analysis “increases our confidence in the basic conclusion that high taxes in general are perceived as lowering the quality of life in a locality, leading to out-migration.” In addition, Vedder pointed out that “a vast literature shows that high taxation leads to reduced economic growth.”
- Vedder also found in a 1995 report for the Joint Economic Committee of the U.S. Congress that relatively low tax states grew at almost a one-third faster rate than high tax states over the period of 1960 to 1993; an increase in state and local tax burdens equal to 1 percent of personal income reduced income growth by more than 3.5 percent; and if a state had kept its level of income taxation at the same share of personal income over this period, personal income would have been 30 percent higher in the end.<sup>45</sup>

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<sup>44</sup> 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.

<sup>45</sup> As cited by Raymond J. Keating, *New York by the Numbers: State and City in Perpetual Crisis* (Lanham, MD: Madison Books, 1997), p. 15.

- 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.”<sup>46</sup>

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

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

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

- “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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<sup>46</sup> 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.<sup>47</sup>

### **On Regulatory Costs**

- As noted earlier, no comparable analysis of overall regulatory costs state by state exists. However, an in-depth analysis of federal regulatory costs does exist, and it can be instructive for considering regulations at the state and local level. 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 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:

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<sup>47</sup> Zsolt Becsi, “Do State and Local Taxes Affect Relative State Economic Growth?” *Economic Review*, Federal Reserve Bank of Atlanta, March-April 1996.

□ The per employee costs of federal regulations registered \$8,086 in 2008. However, that burden was not evenly distributed. For firms with less than 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.”<sup>48</sup>

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 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.<sup>49</sup> 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.”<sup>50</sup>

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<sup>48</sup> John Dawson and John Seater, “Federal Regulation and Aggregate Economic Growth,” January 2013, accessed at <http://www4.ncsu.edu/~jjseater/regulationandgrowth.pdf>.

<sup>49</sup> Richard Vedder, “Economic Impact of Government Spending: A 50-State Analysis,” NCPA Policy Report No. 178, April 1993.

<sup>50</sup> 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.”<sup>51</sup>

### **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.”

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<sup>51</sup> 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 42 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 2014 “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 2014: State Rankings

<b>Rank</b>	<b>State</b>	<b>SBPI</b>	<b>Rank</b>	<b>State</b>	<b>SBPI</b>
1	South Dakota	35.378	26	New Mexico	76.843
2	Nevada	36.628	27	New Hampshire	77.935
3	Texas	38.562	28	West Virginia	78.587
4	Wyoming	46.668	29	Pennsylvania	78.700
5	Florida	49.109	30	Wisconsin	81.594
6	Washington	52.010	31	Massachusetts	82.169
7	Alabama	59.036	32	Delaware	82.505
8	Indiana	62.646	33	Montana	83.027
9	Colorado	62.754	34	Idaho	83.092
10	North Dakota	63.134	35	Illinois	84.764
11	Ohio	63.736	36	Kentucky	84.952
12	Arizona	63.755	37	Arkansas	85.457
13	Utah	64.555	38	Maryland	86.461
14	Michigan	64.720	39	Nebraska	91.083
15	Virginia	66.771	40	Rhode Island	91.891
16	Mississippi	68.045	41	Connecticut	94.919
17	South Carolina	69.218	42	Maine	96.638
18	Alaska	69.933	43	Iowa	97.209
19	Georgia	70.628	44	Oregon	97.395
20	Louisiana	71.806	45	Vermont	102.754
21	North Carolina	72.034	46	Minnesota	105.913
22	Kansas	72.068	47	Hawaii	105.922
23	Missouri	73.570	48	New York	107.393
24	Oklahoma	74.082	49	New Jersey	112.529
25	Tennessee	75.436	50	California	118.454

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 2014” are: 1) South Dakota, 2) Nevada, 3) Texas, 4) Wyoming, 5) Florida, 6) Washington, 7) Alabama, 8) Indiana, 9) Colorado, 10) North Dakota, 11) Ohio, 12) Arizona, 13) Utah, 14) Michigan, and 15) Virginia.**

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

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 2014

### Appendix A: State Rankings of Top Personal Income Tax Rates

Rank	State	PIT Rate	Rank	State	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
	New Hampshire				
1t	Hampshire	0.000	29	North Carolina	5.800
1t	South Dakota	0.000	30	Rhode Island	5.990
1t	Tennessee	0.000	31t	Georgia	6.000
1t	Texas	0.000	31t	Kentucky	6.000
1t	Washington	0.000	31t	Missouri	6.000
1t	Wyoming	0.000	34	West Virginia	6.500
10	Alabama	3.020	35	Delaware	6.600
11	Pennsylvania	3.070	36	Connecticut	6.700
12	North Dakota	3.220	37	Nebraska	6.840
13	Indiana	3.400	38	Montana	6.900
14	Louisiana	3.624	39t	Arkansas	7.000
15	Michigan	4.250	39t	South Carolina	7.000
16	Arizona	4.540	41	Idaho	7.400
17	Colorado	4.630	42	Wisconsin	7.650
18	Kansas	4.800	43	Maine	7.950
19	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
23	Massachusetts	5.200	48	Oregon	9.900
24	Oklahoma	5.250	49	Hawaii	11.000
25	Ohio	5.333	50	California	13.300

## Small Business Policy Index 2014

### Appendix B: State Rankings of Top Individual Capital Gains Tax Rates

Rank	State	CG Rate	Rank	State	CG Rate
1t	Alaska	0.000	26	Massachusetts	5.200
1t	Florida	0.000	27	Oklahoma	5.250
1t	Nevada	0.000	28	Ohio	5.333
	New Hampshire				
1t	Hampshire	0.000	29	Wisconsin	5.355
1t	South Dakota	0.000	30	Vermont	5.370
1t	Tennessee	0.000	31t	Maryland	5.750
1t	Texas	0.000	31t	Virginia	5.750
1t	Washington	0.000	33	North Carolina	5.800
1t	Wyoming	0.000	34	Rhode Island	5.990
10	North Dakota	1.932	35t	Georgia	6.000
11	New Mexico	2.450	35t	Kentucky	6.000
12	Pennsylvania	3.070	35t	Missouri	6.000
13	Indiana	3.400	38	West Virginia	6.500
14	Arizona	3.632	39	Delaware	6.600
15	South Carolina	3.920	40	Connecticut	6.700
16	Alabama	4.000	41	Nebraska	6.840
17	Michigan	4.250	42	Iowa	7.184
18	Colorado	4.630	43	Hawaii	7.250
19t	Kansas	4.800	44	Idaho	7.400
19t	Louisiana	4.800	45	Maine	7.950
21t	Arkansas	4.900	46	New York	8.820
21t	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 2014

### Appendix C: State Rankings of Individual Dividends and Interest Tax Rates

Rank	State	PIDivInt	Rank	State	PIDivInt
1t	Alaska	0.000	27	North Carolina	5.800
1t	Florida	0.000	28	Rhode Island	5.990
1t	Nevada	0.000	29t	Georgia	6.000
1t	South Dakota	0.000	29t	Kentucky	6.000
1t	Texas	0.000	29t	Missouri	6.000
1t	Washington	0.000	29t	Tennessee	6.000
1t	Wyoming	0.000	33	West Virginia	6.500
8	Pennsylvania	3.070	34	Delaware	6.600
9	North Dakota	3.220	35	Connecticut	6.700
10	Indiana	3.400	36	Nebraska	6.840
11	Alabama	4.000	37	Montana	6.900
12	Michigan	4.250	38t	Arkansas	7.000
13	Arizona	4.540	38t	South Carolina	7.000
14	Colorado	4.630	40	Iowa	7.184
15t	Kansas	4.800	41	Idaho	7.400
15t	Louisiana	4.800	42	Wisconsin	7.650
17	New Mexico	4.900	43	Maine	7.950
18t	Illinois	5.000	44	New York	8.820
18t	Mississippi	5.000	45	Vermont	8.950
18t	New Hampshire	5.000	46	New Jersey	8.970
18t	Utah	5.000	47	Minnesota	9.850
22	Massachusetts	5.200	48	Oregon	9.900
23	Oklahoma	5.250	49	Hawaii	11.000
24	Ohio	5.333	50	California	13.300
25t	Maryland	5.750			
25t	Virginia	5.750			

## Small Business Policy Index 2014

### Appendix D: State Rankings of Top Corporate Income Tax Rates

Rank	State	CIT Rate	Rank	State	CIT Rate
1t	Nevada	0.000	27	Montana	6.750
1t	Ohio	0.000	28t	Indiana	7.000
1t	South Dakota	0.000	28t	Kansas	7.000
1t	Texas	0.000	30	New Mexico	7.300
1t	Washington	0.000	31	Idaho	7.400
1t	Wyoming	0.000	32	Oregon	7.600
7	Alabama	4.225	33	Nebraska	7.810
8	North Dakota	4.530	34	Wisconsin	7.900
9	Colorado	4.630	35	Massachusetts	8.000
10t	Mississippi	5.000	36	Maryland	8.250
10t	South Carolina	5.000	37	New York	8.307
				New	
10t	Utah	5.000	38t	Hampshire	8.500
13	Missouri	5.156	38t	Vermont	8.500
14	Louisiana	5.200	40	Delaware	8.700
15	Florida	5.500	41	California	8.840
16t	Georgia	6.000	42	Maine	8.930
16t	Kentucky	6.000	43	Connecticut	9.000
16t	Michigan	6.000	44t	New Jersey	9.000
16t	North Carolina	6.000	44t	Rhode Island	9.000
16t	Oklahoma	6.000	46	Alaska	9.400
16t	Virginia	6.000	47	Illinois	9.500
22	Hawaii	6.400	48	Minnesota	9.800
23t	Arizona	6.500	49	Iowa	9.900
23t	Arkansas	6.500	50	Pennsylvania	9.990
23t	Tennessee	6.500			
23t	West Virginia	6.500			

## Small Business Policy Index 2014

### Appendix E: State Rankings of Top Corporate Capital Gains Tax Rates

<b>Rank</b>	<b>State</b>	<b>CorpCG Rate</b>	<b>Rank</b>	<b>State</b>	<b>CorpCG Rate</b>
1t	Nevada	0.000	24t	Tennessee	6.500
1t	Ohio	0.000	24t	West Virginia	6.500
1t	South Dakota	0.000	28	Montana	6.750
1t	Texas	0.000	29t	Indiana	7.000
1t	Washington	0.000	29t	Kansas	7.000
1t	Wyoming	0.000	31	New Mexico	7.300
7	Hawaii	4.000	32	Idaho	7.400
8	Alabama	4.225	33	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		New	
15	Missouri	5.156	39t	Hampshire	8.500
16	Louisiana	5.200	39t	Vermont	8.500
17	Florida	5.500	41	Delaware	8.700
18t	Georgia	6.000	42	California	8.840
18t	Kentucky	6.000	43	Maine	8.930
18t	Michigan	6.000	44t	Connecticut	9.000
18t	North Carolina	6.000	44t	New Jersey	9.000
18t	Oklahoma	6.000	44t	Rhode Island	9.000
18t	Virginia	6.000	47	Illinois	9.500
24t	Arizona	6.500	48	Minnesota	9.800
24t	Arkansas	6.500	49	Iowa	9.900
			50	Pennsylvania	9.990

**Small Business Policy Index 2014**  
**Appendix F: Rankings of State and Local Property Taxes**  
(Property Taxes as a Share of Personal Income)

<b>Rank</b>	<b>State</b>	<b>Prop Taxes</b>	<b>Rank</b>	<b>State</b>	<b>Prop Taxes</b>
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 2014

### 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	Sales/GR/Excise	Rank	State	Sales/GR/Excise
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 2014

### 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)

<b>Rank</b>	<b>State</b>	<b>Unemp Tax</b>	<b>Rank</b>	<b>State</b>	<b>Unemp Tax</b>
1	California	0.790	26	Kentucky	2.429
2	Florida	1.028	27	Maine	2.578
3	Arizona	1.044	28	Massachusetts	2.921
4	Virginia	1.074	29	Delaware	3.024
5	Louisiana	1.110	30	Missouri	3.028
6	Nevada	1.118	31	New Mexico	3.172
7	Georgia	1.138	32	Vermont	3.280
8	Alabama	1.306	33	Wisconsin	3.327
9	Texas	1.336	34	North Carolina	3.445
10	New York	1.591	35	South Dakota	3.623
11	Maryland	1.698	36	Nebraska	3.715
12	Ohio	1.737	37	Alaska	3.923
13	Connecticut	1.769	38	New Jersey	3.970
14	Indiana	1.841	39	Oklahoma	4.151
15	Kansas	1.864	40	Oregon	4.246
16	Arkansas	1.915	41	Washington	4.443
17	Pennsylvania	2.007	42	Rhode Island	4.739
18	Colorado	2.103	43	Montana	4.841
19	New Hampshire	2.106	44	Utah	5.541
20t	Mississippi	2.113	45	Wyoming	5.609
20t	Tennessee	2.113	46	Iowa	5.675
22	Michigan	2.151	47	Hawaii	5.926
23	West Virginia	2.305	48	Minnesota	6.427
24	Illinois	2.326	49	Idaho	6.548
25	South Carolina	2.412	50	North Dakota	6.681

**Small Business Policy Index 2014**  
**Appendix I: Rankings of State Gas Taxes**  
(Dollars Per Gallon of Gasoline)

<b>Rank</b>	<b>State</b>	<b>Gas Tax</b>	<b>Rank</b>	<b>State</b>	<b>Gas Tax</b>
1	Alaska	0.124	26	Nebraska	0.273
2	New Jersey	0.145	27	Maryland	0.274
3	South Carolina	0.168	28	Montana	0.278
4	Oklahoma	0.170	29	Ohio	0.280
5t	Virginia	0.173	30	Georgia	0.285
5t	Missouri	0.173	31	Minnesota	0.286
7	Mississippi	0.188	32	Maine	0.300
8	New Mexico	0.189	33	Oregon	0.311
9	Arizona	0.190	34	Kentucky	0.319
10t	Louisiana	0.200	35	Vermont	0.328
10t	Texas	0.200	36	Wisconsin	0.329
12	Alabama	0.209	37	Rhode Island	0.330
13	Tennessee	0.214	38	Nevada	0.331
14	Arkansas	0.218	39	West Virginia	0.357
15t	Colorado	0.220	40	Florida	0.360
15t	Iowa	0.220	41	North Carolina	0.368
15t	South Dakota	0.220	42	Washington	0.375
18t	Delaware	0.230	43	Michigan	0.390
18t	North Dakota	0.230	44	Illinois	0.391
20	New Hampshire	0.238	45	Indiana	0.394
21t	Wyoming	0.240	46	Pennsylvania	0.418
21t	Kansas	0.240	47	Connecticut	0.474
23	Utah	0.245	48	Hawaii	0.479
24	Idaho	0.250	49	California	0.485
25	Massachusetts	0.265	50	New York	0.503

**Small Business Policy Index 2014**  
**Appendix J: Rankings of State Diesel Taxes**  
(Dollars Per Gallon of Diesel)

<b>Rank</b>	<b>State</b>	<b>Diesel Tax</b>	<b>Rank</b>	<b>State</b>	<b>Diesel Tax</b>
1	Alaska	0.127	26	Arizona	0.270
2	Oklahoma	0.140	27	Ohio	0.280
3	South Carolina	0.168	28	Maryland	0.282
4	Missouri	0.173	29	Montana	0.285
5	New Jersey	0.175	30t	Nevada	0.286
6t	Mississippi	0.184	30t	Minnesota	0.286
6t	Tennessee	0.184	32	Kentucky	0.289
8t	Louisiana	0.200	33	Oregon	0.303
8t	Texas	0.200	34	Georgia	0.309
10	Colorado	0.205	35	Maine	0.312
11	Alabama	0.219	36	Vermont	0.320
12	Delaware	0.220	37	Florida	0.324
13	Arkansas	0.228	38	Wisconsin	0.329
14	New Mexico	0.229	39	Rhode Island	0.330
15	North Dakota	0.230	40	West Virginia	0.357
16	Iowa	0.235	41	North Carolina	0.368
17	New Hampshire	0.238	42	Washington	0.375
18t	South Dakota	0.240	43	Michigan	0.377
18t	Wyoming	0.240	44	Illinois	0.432
20	Utah	0.245	45	New York	0.487
21	Idaho	0.250	46	California	0.491
22	Kansas	0.260	47	Hawaii	0.501
23	Virginia	0.261	48	Indiana	0.504
24	Massachusetts	0.265	49	Pennsylvania	0.521
25	Nebraska	0.267	50	Connecticut	0.545

**Small Business Policy Index 2014**  
**Appendix K: State Rankings of Wireless Taxes**  
**(Adjusted index of wireless sales taxes)**

<b>Rank</b>	<b>State</b>	<b>WireTax</b>	<b>Rank</b>	<b>State</b>	<b>WireTax</b>
1	Oregon	0.018	26	Oklahoma	0.099
2	Nevada	0.019	27	California	0.102
3	Idaho	0.026	28t	Kentucky	0.105
4	Montana	0.060	28t	South Carolina	0.105
5t	West Virginia	0.062	30t	Colorado	0.107
5t	Delaware	0.062	30t	Indiana	0.107
7	Hawaii	0.063	32	New Mexico	0.110
8	Virginia	0.065	33	North Dakota	0.114
9	Wisconsin	0.071	34	Tennessee	0.116
10	Maine	0.073	35	Texas	0.117
11	Louisiana	0.074	36	Alaska	0.118
12	Wyoming	0.077	37	Arizona	0.120
13t	Connecticut	0.078	38	Maryland	0.124
13t	Massachusetts	0.078	39	Utah	0.125
15	Michigan	0.081	40	Kansas	0.129
16	New Hampshire	0.082	41	South Dakota	0.130
17t	Ohio	0.085	42	Arkansas	0.134
17t	North Carolina	0.085	43	Pennsylvania	0.141
17t	Vermont	0.085	44t	Missouri	0.146
20	Iowa	0.086	44t	Rhode Island	0.146
21t	Georgia	0.088	46	Illinois	0.158
21t	New Jersey	0.088	47	Florida	0.166
23	Mississippi	0.091	48	New York	0.177
24	Alabama	0.093	49	Nebraska	0.185
25	Minnesota	0.094	50	Washington	0.186

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### Appendix L: State Rankings of Energy Regulatory Index

Rank	State	EnergyReg	Rank	State	EnergyReg
1t	Alabama	4.29	26	West Virginia	5.86
1t	Alaska	4.29	27	Rhode Island	6.00
1t	South Dakota	4.29	28	Montana	6.05
1t	Texas	4.29	29t	Indiana	6.14
5	Delaware	4.48	29t	New Mexico	6.14
6	North Dakota	4.57	31	Illinois	6.19
7t	Georgia	4.86	32t	Kentucky	6.29
7t	Kansas	4.86	32t	Virginia	6.29
9	Missouri	4.86	34t	Minnesota	6.43
10	Oklahoma	5.00	34t	Vermont	6.43
11	Wyoming	5.00	36t	Maine	6.48
				New	
12t	Colorado	5.14	36t	Hampshire	6.48
12t	Mississippi	5.14	38	Massachusetts	6.52
14	Ohio	5.24	39t	Nevada	6.57
15t	Florida	5.29	39t	Pennsylvania	6.57
15t	Nebraska	5.29	41	Oregon	6.62
17t	Louisiana	5.43	42	North Carolina	6.71
17t	Tennessee	5.43	43	New Jersey	6.81
17t	Utah	5.43	44t	Maryland	6.86
20t	Arizona	5.57	44t	Michigan	6.86
20t	Iowa	5.57	44t	Washington	6.86
20t	South Carolina	5.57	47	Connecticut	7.14
23t	Arkansas	5.71	48	Wisconsin	7.29
23t	Hawaii	5.71	49	California	7.71
23t	Idaho	5.71	50	New York	7.86

## Small Business Policy Index 2014

### Appendix M: State Rankings of Workers' Compensation Employer Costs Per \$100 of Payroll

Rank	State	WorkComp	Rank	State	WorkComp
1	Texas	0.75	26	New Hampshire	1.28
2	Massachusetts	0.76	27	Illinois	1.34
3	Virginia	0.77	28	South Dakota	1.35
4	Arkansas	0.80	29t	Mississippi	1.36
5	Indiana	0.86	29t	New Jersey	1.36
6	Arizona	0.89	31	Nebraska	1.37
7	Utah	0.94	32	Washington	1.39
8	Colorado	0.95	33	New York	1.41
9	Nevada	0.98	34	Hawaii	1.43
10	Michigan	0.99	35	Maine	1.48
11	Ohio	1.01	36	New Mexico	1.50
12t	Maryland	1.07	37	Pennsylvania	1.51
12t	Minnesota	1.07	38	North Dakota	1.57
14	Rhode Island	1.10	39	Louisiana	1.61
15	Missouri	1.11	40	Idaho	1.63
16	Tennessee	1.13	41	Iowa	1.64
17	Connecticut	1.15	42	Wisconsin	1.77
18t	Georgia	1.16	43	South Carolina	1.82
18t	Kentucky	1.16	44	Vermont	1.83
18t	Oregon	1.16	45t	California	1.85
21t	Alabama	1.19	45t	West Virginia	1.85
21t	North Carolina	1.19	45t	Wyoming	1.85
23	Delaware	1.24	48	Oklahoma	2.22
24	Kansas	1.25	49	Montana	2.49
25	Florida	1.27	50	Alaska	2.74

**Small Business Policy Index 2014**  
**Appendix N: State Rankings of Crime Rate**

<b>Rank</b>	<b>State</b>	<b>Crime Rate</b>	<b>Rank</b>	<b>State</b>	<b>Crime Rate</b>
1	Idaho	2.19	26	California	3.18
2	North Dakota	2.25	27	Utah	3.20
3	New York	2.33	28	Maryland	3.23
4	New Jersey	2.34	29	Hawaii	3.31
5	Virginia	2.35	30	Alaska	3.34
6	South Dakota	2.38	31	Indiana	3.37
7	Connecticut	2.42	32t	Nevada	3.42
8	Wyoming	2.50	32t	Ohio	3.42
9	New Hampshire	2.51	34	Oregon	3.47
10	Pennsylvania	2.52	35	Kansas	3.50
11t	Iowa	2.54	36	North Carolina	3.72
11t	Vermont	2.54	37	Florida	3.76
13	Massachusetts	2.56	38t	Missouri	3.77
14	Maine	2.63	38t	Texas	3.77
15	West Virginia	2.68	40	Georgia	3.79
16	Wisconsin	2.73	41	Oklahoma	3.87
17	Kentucky	2.78	42	Delaware	3.89
18	Minnesota	2.80	43t	Alabama	3.95
19	Rhode Island	2.82	43t	Washington	3.95
20	Montana	2.86	45	Arizona	3.97
21t	Colorado	2.99	46	Tennessee	4.02
21t	Illinois	2.99	47	Louisiana	4.04
21t	Michigan	2.99	48	Arkansas	4.13
24	Nebraska	3.01	49	New Mexico	4.16
25	Mississippi	3.07	50	South Carolina	4.38



## Small Business Policy Index 2014

### Appendix O: State Rankings of the Number of State & Local Government Employees

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

<b>Rank</b>	<b>State</b>	<b>Gov Employ</b>	<b>Rank</b>	<b>State</b>	<b>Gov Employ</b>
1	Nevada	3.74	26t	New Hampshire	5.42
2	Arizona	4.34	26t	Maine	5.42
3	Michigan	4.55	28	Texas	5.43
4	California	4.57	29t	South Carolina	5.47
5	Pennsylvania	4.58	29t	South Dakota	5.47
6	Florida	4.59	31	New Jersey	5.49
7	Rhode Island	4.69	32	Virginia	5.52
8	Washington	4.86	33	Oklahoma	5.55
9	Idaho	4.87	34	West Virginia	5.59
10	Illinois	4.90	35	Montana	5.60
11t	Massachusetts	4.92	36	Kentucky	5.68
11t	Minnesota	4.92	37t	North Carolina	5.78
13t	Oregon	4.94	37t	Iowa	5.78
13t	Wisconsin	4.94	39	Louisiana	5.80
15	Utah	5.03	40	Alabama	5.85
16	Indiana	5.04	41	Arkansas	5.87
17	Ohio	5.09	42	New Mexico	5.94
18	Maryland	5.10	43	New York	6.00
19	Tennessee	5.14	44	North Dakota	6.36
20	Connecticut	5.18	45	Mississippi	6.50
21	Hawaii	5.22	46	Nebraska	6.52
22	Georgia	5.25	47	Kansas	6.69
23	Colorado	5.27	48	Vermont	6.77
24	Missouri	5.28	49	Alaska	7.61
25	Delaware	5.37	50	Wyoming	8.93

### Small Business Policy Index 2014

#### Appendix P: 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

### Small Business Policy Index 2014

#### Appendix Q: 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

**Small Business Policy Index 2014**  
**Appendix R: Rankings of Per Capita State and Local Government Debt, 2010-11**  
**(Index of Per Capita State and Local Debt)**

<b>Rank</b>	<b>State</b>	<b>Debt</b>	<b>Rank</b>	<b>State</b>	<b>Debt</b>
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

**Small Business Policy Index 2014**  
**Appendix S: 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)**

<b>Rank</b>	<b>State</b>	<b>FedRev</b>	<b>Rank</b>	<b>State</b>	<b>FedRev</b>
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

## Small Business Policy Index 2014

### Appendix T: State Rankings of Highway Cost Effectiveness

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

## Small Business Policy Index 2014

### Appendix U: Small Business Policy Index Scores by States Listed Alphabetically

<b>State</b>	<b>Top PIT Rate</b>	<b>Top Ind CapGains Rate</b>	<b>PIDivInt</b>	<b>Top CIT Rate</b>	<b>Top Corp CapGains Rate</b>	<b>Added S- Corp. Rate</b>	<b>Added LLC Rate</b>	<b>Avg Local PIT Rate</b>
Alabama	3.020	4.000	4.000	4.225	4.225	0.000	0.000	0.500
Alaska	0.000	0.000	0.000	9.400	4.500	0.000	0.000	0.000
Arizona	4.540	3.632	4.540	6.500	6.500	0.000	0.000	0.000
Arkansas	7.000	4.900	7.000	6.500	6.500	0.000	0.000	0.000
California	13.300	13.300	13.300	8.840	8.840	1.500	0.000	0.000
Colorado	4.630	4.630	4.630	4.630	4.630	0.000	0.000	0.000
Connecticut	6.700	6.700	6.700	9.000	9.000	0.000	0.000	0.000
Delaware	6.600	6.600	6.600	8.700	8.700	0.000	0.000	0.630
Florida	0.000	0.000	0.000	5.500	5.500	0.000	0.000	0.000
Georgia	6.000	6.000	6.000	6.000	6.000	0.000	0.000	0.000
Hawaii	11.000	7.250	11.000	6.400	4.000	0.000	0.000	0.000
Idaho	7.400	7.400	7.400	7.400	7.400	0.000	0.000	0.000
Illinois	5.000	5.000	5.000	9.500	9.500	1.500	1.500	0.000
Indiana	3.400	3.400	3.400	7.000	7.000	0.000	0.000	1.490
Iowa	5.424	7.184	7.184	9.900	9.900	0.000	0.000	0.290
Kansas	4.800	4.800	4.800	7.000	7.000	0.000	0.000	0.000
Kentucky	6.000	6.000	6.000	6.000	6.000	0.750	0.750	2.080
Louisiana	3.624	4.800	4.800	5.200	5.200	4.832	0.000	0.000
Maine	7.950	7.950	7.950	8.930	8.930	0.000	0.000	0.000
Maryland	5.750	5.750	5.750	8.250	8.250	0.000	0.000	2.880
Massachusetts	5.200	5.200	5.200	8.000	8.000	2.750	0.000	0.000
Michigan	4.250	4.250	4.250	6.000	6.000	0.000	0.000	1.700
Minnesota	9.850	9.850	9.850	9.800	9.800	0.000	0.000	0.000
Mississippi	5.000	5.000	5.000	5.000	5.000	0.000	0.000	0.000
Missouri	6.000	6.000	6.000	5.156	5.156	0.000	0.000	0.500

Montana	6.900	4.900	6.900	6.750	6.750	0.000	0.000	0.000
Nebraska	6.840	6.840	6.840	7.810	7.810	0.000	0.000	0.000
Nevada	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Hampshire	0.000	0.000	5.000	8.500	8.500	8.500	8.500	0.000
New Jersey	8.970	8.970	8.970	9.000	9.000	0.000	0.000	0.500
New Mexico	4.900	2.450	4.900	7.300	7.300	0.000	0.000	0.000
New York	8.820	8.820	8.820	8.307	8.307	0.000	0.000	2.110
North Carolina	5.800	5.800	5.800	6.000	6.000	0.000	0.000	0.000
North Dakota	3.220	1.932	3.220	4.530	4.530	0.000	0.000	0.000
Ohio	5.333	5.333	5.333	0.000	0.000	0.000	0.000	2.250
Oklahoma	5.250	5.250	5.250	6.000	6.000	0.000	0.000	0.000
Oregon	9.900	9.900	9.900	7.600	7.600	0.000	0.000	0.360
Pennsylvania	3.070	3.070	3.070	9.990	9.990	0.000	0.000	2.960
Rhode Island	5.990	5.990	5.990	9.000	9.000	0.000	0.000	0.000
South Carolina	7.000	3.920	7.000	5.000	5.000	0.000	0.000	0.000
South Dakota	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Tennessee	0.000	0.000	6.000	6.500	6.500	6.500	6.500	0.000
Texas	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Utah	5.000	5.000	5.000	5.000	5.000	0.000	0.000	0.000
Vermont	8.950	5.370	8.950	8.500	8.500	0.000	0.000	0.000
Virginia	5.750	5.750	5.750	6.000	6.000	0.000	0.000	0.000
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
West Virginia	6.500	6.500	6.500	6.500	6.500	0.000	0.000	0.000
Wisconsin	7.650	5.355	7.650	7.900	7.900	0.000	0.000	0.000
Wyoming	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000



<b>State</b>	<b>Indiv. AMT</b>	<b>Corp. AMT</b>	<b>PIT Rate Index</b>	<b>PIT Progressivity</b>	<b>CIT Progressivity</b>	<b>Property Taxes</b>	<b>Sales, Gross Rec &amp; Excise</b>	<b>Death/Inheritance Taxes</b>
Alabama	0	0	1	1.220	0.000	1.555	3.627	0
Alaska	0	1	0	0.000	8.400	4.536	1.913	0
Arizona	0	0	1	1.950	0.000	3.055	4.087	0
Arkansas	0	0	0	6.000	5.500	1.814	4.524	0
California	1	1	0	12.300	0.000	3.191	3.189	0
Colorado	1	0	0	0.000	0.000	3.688	2.891	0
Connecticut	1	0	1	3.700	0.000	4.531	2.477	5
Delaware	0	0	1	4.400	0.000	1.764	1.039	5
Florida	0	1	0	0.000	0.000	3.440	3.877	0
Georgia	0	0	1	5.000	0.000	2.920	3.013	0
Hawaii	0	0	1	9.600	2.000	2.238	5.680	5
Idaho	0	0	0	5.800	0.000	2.590	2.655	0
Illinois	0	0	0	0.000	0.000	4.255	2.858	5
Indiana	0	0	0	0.000	0.000	2.725	3.546	0
Iowa	1	1	0	5.100	4.350	3.526	3.032	5
Kansas	0	0	1	2.100	3.000	3.369	3.380	0
Kentucky	0	0	1	4.000	2.000	2.042	3.218	5
Louisiana	0	0	1	1.824	1.800	2.004	4.870	0
Maine	0	1	1	1.450	5.430	4.760	2.875	5
Maryland	0	0	1	3.750	0.000	2.832	2.222	5
Massachusetts	0	0	0	0.000	0.000	3.762	1.892	5
Michigan	0	0	0	0.000	0.000	3.761	3.385	0
Minnesota	1	1	0	4.500	0.000	3.426	3.212	5
Mississippi	0	0	1	2.000	2.000	2.657	4.067	0
Missouri	0	0	1	4.500	0.000	2.557	2.882	0
Montana	0	0	0	5.900	0.000	3.669	0.911	0
Nebraska	0	0	1	4.380	2.230	3.751	2.727	5

Nevada	0	0	0	0.000	0.000	2.896	5.025	0
New Hampshire	0	0	0	0.000	0.000	5.496	1.228	0
New Jersey	0	1	1	7.570	2.500	5.439	2.460	5
New Mexico	0	0	1	3.200	2.500	1.897	4.655	0
New York	0	1	1	4.820	0.000	4.617	3.586	5
North Carolina	0	0	1	0.000	0.000	2.474	3.039	0
North Dakota	0	0	0	2.000	3.050	2.334	3.653	0
Ohio	0	0	1	4.805	0.000	3.016	2.927	0
Oklahoma	0	0	1	4.750	0.000	1.573	3.348	0
Oregon	0	0	1	4.900	1.000	3.444	0.686	5
Pennsylvania	0	0	0	0.000	0.000	3.069	2.936	5
Rhode Island	0	0	0	2.240	0.000	4.915	2.937	5
South Carolina	0	0	0	4.000	0.000	3.049	2.641	0
South Dakota	0	0	0	0.000	0.000	2.862	3.907	0
Tennessee	0	0	0	0.000	0.000	2.181	4.325	5
Texas	0	0	0	0.000	0.000	3.895	3.729	0
Utah	0	0	0	0.000	0.000	2.680	3.286	0
Vermont	0	0	0	5.400	2.500	5.250	3.120	5
Virginia	0	0	1	3.750	0.000	2.987	1.975	0
Washington	0	0	0	0.000	0.000	2.867	5.399	5
West Virginia	0	0	1	3.500	0.000	2.298	3.558	0
Wisconsin	1	0	0	3.250	0.000	4.293	2.721	0
Wyoming	0	0	0	0.000	0.000	4.579	4.235	0

<b>State</b>	<b>Unemp. Tax</b>	<b>Tax Limit.</b>	<b>Internet Access Tax</b>	<b>RemoteSellerTax</b>	<b>Gas Tax</b>	<b>Diesel Tax</b>	<b>Wireless Tax</b>	<b>HSA Deduct</b>
Alabama	1.306	1	0	0	0.209	0.219	0.093	1
Alaska	3.923	1	0	0	0.124	0.127	0.118	0
Arizona	1.044	0	0	0	0.190	0.270	0.120	0
Arkansas	1.915	0	0	1	0.218	0.228	0.134	0
California	0.790	0	0	1	0.485	0.491	0.102	1
Colorado	2.103	0	0	0	0.220	0.205	0.107	0
Connecticut	1.769	1	0	1	0.474	0.545	0.078	0
Delaware	3.024	0	0	0	0.230	0.220	0.062	0
Florida	1.028	1	0	0	0.360	0.324	0.166	0
Georgia	1.138	1	0	1	0.285	0.309	0.088	0
Hawaii	5.926	1	1	0	0.479	0.501	0.063	0
Idaho	6.548	1	0	0	0.250	0.250	0.026	0
Illinois	2.326	1	0	0	0.391	0.432	0.158	0
Indiana	1.841	1	0	0	0.394	0.504	0.107	0
Iowa	5.675	1	0	0	0.220	0.235	0.086	0
Kansas	1.864	1	0	0	0.240	0.260	0.129	0
Kentucky	2.429	0	0	0	0.319	0.289	0.105	0
Louisiana	1.110	0	0	0	0.200	0.200	0.074	0
Maine	2.578	1	0	1	0.300	0.312	0.073	0
Maryland	1.698	1	0	0	0.274	0.282	0.124	0
Massachusetts	2.921	1	0	0	0.265	0.265	0.078	0
Michigan	2.151	1	0	0	0.390	0.377	0.081	0
Minnesota	6.427	1	0	1	0.286	0.286	0.094	0
Mississippi	2.113	0	0	0	0.188	0.184	0.091	0
Missouri	3.028	0	0	0	0.173	0.173	0.146	0
Montana	4.841	1	0	0	0.278	0.285	0.060	0
Nebraska	3.715	1	0	0	0.273	0.267	0.185	0
Nevada	1.118	0	0	0	0.331	0.286	0.019	0

New Hampshire	2.106	1	0	0	0.238	0.238	0.082	0
New Jersey	3.970	1	0	0	0.145	0.175	0.088	1
New Mexico	3.172	1	1	0	0.189	0.229	0.110	0
New York	1.591	1	0	1	0.503	0.487	0.177	0
North Carolina	3.445	1	0	1	0.368	0.368	0.085	0
North Dakota	6.681	1	1	0	0.230	0.230	0.114	0
Ohio	1.737	1	1	0	0.280	0.280	0.085	0
Oklahoma	4.151	0	0	0	0.170	0.140	0.099	0
Oregon	4.246	0	0	0	0.311	0.303	0.018	0
Pennsylvania	2.007	1	0	0	0.418	0.521	0.141	0
Rhode Island	4.739	1	0	1	0.330	0.330	0.146	0
South Carolina	2.412	1	0	0	0.168	0.168	0.105	0
South Dakota	3.623	0	1	0	0.220	0.240	0.130	0
Tennessee	2.113	1	0	0	0.214	0.184	0.116	0
Texas	1.336	1	1	1	0.200	0.200	0.117	0
Utah	5.541	1	0	0	0.245	0.245	0.125	0
Vermont	3.280	1	0	0	0.328	0.320	0.085	0
Virginia	1.074	1	0	0	0.173	0.261	0.065	0
Washington	4.443	0	0	0	0.375	0.375	0.186	0
West Virginia	2.305	1	0	0	0.357	0.357	0.062	0
Wisconsin	3.327	1	1	0	0.329	0.329	0.071	0
Wyoming	5.609	1	0	0	0.240	0.240	0.077	0

<b>State</b>	<b>Energy Reg Index</b>	<b>Workers' Comp.</b>	<b>Crime Rate</b>	<b>Right to Work</b>	<b>State Min. Wage</b>	<b>PaidFamLeave</b>	<b>E-Verify</b>	<b>State Liability</b>
Alabama	4.29	1.19	3.95	0	0.00	0	1.0	2.32
Alaska	4.29	2.74	3.34	1	0.50	0	0.0	0.89
Arizona	5.57	0.89	3.97	0	0.65	0	1.0	2.02
Arkansas	5.71	0.80	4.13	0	0.00	0	0.0	2.43
California	7.71	1.85	3.18	1	1.75	1	0.0	2.84
Colorado	5.14	0.95	2.99	1	0.75	0	0.5	2.57
Connecticut	7.14	1.15	2.42	1	1.45	0	0.0	2.85
Delaware	4.48	1.24	3.89	1	0.50	0	0.0	2.08
Florida	5.29	1.27	3.76	0	0.68	0	0.5	3.51
Georgia	4.86	1.16	3.79	0	0.00	0	1.0	2.43
Hawaii	5.71	1.43	3.31	1	0.00	0	0.0	0.92
Idaho	5.71	1.63	2.19	0	0.00	0	0.5	1.58
Illinois	6.19	1.34	2.99	1	1.00	0	0.0	3.43
Indiana	6.14	0.86	3.37	0	0.00	0	0.5	2.43
Iowa	5.57	1.64	2.54	0	0.00	0	0.0	1.77
Kansas	4.86	1.25	3.50	0	0.00	0	0.0	1.90
Kentucky	6.29	1.16	2.78	1	0.00	0	0.0	2.68
Louisiana	5.43	1.61	4.04	0	0.00	0	1.0	1.79
Maine	6.48	1.48	2.63	1	0.25	0	0.0	1.55
Maryland	6.86	1.07	3.23	1	0.00	0	0.0	2.32
Massachusetts	6.52	0.76	2.56	1	0.75	0	0.0	2.02
Michigan	6.86	0.99	2.99	0	0.90	0	0.0	2.97
Minnesota	6.43	1.07	2.80	1	0.75	0	0.5	2.33
Mississippi	5.14	1.36	3.07	0	0.00	0	1.0	2.11
Missouri	4.86	1.11	3.77	1	0.25	0	0.5	3.00
Montana	6.05	2.49	2.86	1	0.65	0	0.0	2.97
Nebraska	5.29	1.37	3.01	0	0.00	0	0.5	2.58
Nevada	6.57	0.98	3.42	0	1.00	0	0.0	2.76

New Hampshire	6.48	1.28	2.51	1	0.00	0	0.0	2.22
New Jersey	6.81	1.36	2.34	1	1.00	1	0.0	4.01
New Mexico	6.14	1.50	4.16	1	0.25	0	0.0	2.73
New York	7.86	1.41	2.33	1	0.75	0	0.0	3.81
North Carolina	6.71	1.19	3.72	0	0.00	0	1.0	0.98
North Dakota	4.57	1.57	2.25	0	0.00	0	0.0	1.20
Ohio	5.24	1.01	3.42	1	0.70	0	0.0	2.01
Oklahoma	5.00	2.22	3.87	0	0.00	0	0.5	2.63
Oregon	6.62	1.16	3.47	1	1.85	0	0.0	2.60
Pennsylvania	6.57	1.51	2.52	1	0.00	0	0.5	3.40
Rhode Island	6.00	1.10	2.82	1	0.75	1	0.0	2.73
South Carolina	5.57	1.82	4.38	0	0.00	0	1.0	1.98
South Dakota	4.29	1.35	2.38	0	0.00	0	0.0	1.20
Tennessee	5.43	1.13	4.02	0	0.00	0	1.0	2.14
Texas	4.29	0.75	3.77	0	0.00	0	0.0	2.03
Utah	5.43	0.94	3.20	0	0.00	0	1.0	1.94
Vermont	6.43	1.83	2.54	1	1.48	0	0.0	2.68
Virginia	6.29	0.77	2.35	0	0.00	0	0.5	1.64
Washington	6.86	1.39	3.95	1	2.07	0	0.0	2.47
West Virginia	5.86	1.85	2.68	1	0.00	0	0.5	2.41
Wisconsin	7.29	1.77	2.73	1	0.00	0	0.0	1.69
Wyoming	5.00	1.85	2.50	0	0.00	0	0.0	2.07

<b>State</b>	<b>Reg. Flex</b>	<b>Gov Employ</b>	<b>SpendTrend</b>	<b>SpendvsAvg</b>	<b>StateLocalDebt</b>	<b>FederalRev</b>	<b>EmDomainLeg</b>	<b>CrowdFund</b>
Alabama	1.0	5.85	0.97	0.86	0.65	1.25	1.2	0
Alaska	0.0	7.61	1.29	2.00	1.51	0.97	3.3	1
Arizona	0.0	4.34	0.67	0.80	0.84	1.18	1.2	1
Arkansas	0.5	5.87	1.31	0.80	0.49	1.28	3.9	1
California	0.0	4.57	0.97	1.20	1.19	0.78	1.8	1
Colorado	0.5	5.27	1.34	0.99	1.09	0.75	2.4	0
Connecticut	0.0	5.18	1.28	1.12	1.24	0.91	3.3	1
Delaware	0.0	5.37	0.62	1.07	0.98	0.90	1.2	1
Florida	0.0	4.59	0.52	0.85	0.85	0.94	0.6	1
Georgia	0.0	5.25	0.63	0.78	0.59	1.03	1.2	0
Hawaii	0.5	5.22	1.16	1.03	1.04	1.06	3.9	1
Idaho	1.0	4.87	0.94	0.75	0.42	1.13	3.0	0
Illinois	0.0	4.90	1.28	1.00	1.21	0.90	3.0	0
Indiana	0.0	5.04	0.76	0.80	0.81	1.08	1.5	1
Iowa	0.0	5.78	1.32	0.98	0.64	1.16	1.8	1
Kansas	1.0	6.69	1.25	0.91	1.01	0.96	1.5	0
Kentucky	0.5	5.68	1.24	0.88	1.03	1.23	3.0	1
Louisiana	0.0	5.80	1.42	1.05	0.90	1.48	1.5	1
Maine	0.0	5.42	0.84	0.94	0.72	1.29	3.0	0
Maryland	0.5	5.10	1.22	0.97	0.82	1.05	3.3	0
Massachusetts	0.5	4.92	1.01	1.13	1.51	1.01	3.9	1
Michigan	0.0	4.55	0.93	0.90	0.80	1.24	0.9	0
Minnesota	0.5	4.92	0.98	1.03	0.94	0.88	1.5	1
Mississippi	1.0	6.50	0.98	0.90	0.51	1.58	1.2	1
Missouri	0.5	5.28	1.08	0.82	0.82	1.17	3.3	1
Montana	1.0	5.60	1.32	0.92	0.64	1.39	3.3	1
Nebraska	1.0	6.52	1.08	1.04	0.75	0.92	3.0	1
Nevada	0.0	3.74	0.71	0.84	1.09	0.69	1.2	1

New Hampshire	0.5	5.42	1.33	0.87	0.91	0.93	1.2	1
New Jersey	0.0	5.49	0.82	1.13	1.24	0.77	3.9	1
New Mexico	0.5	5.94	1.43	1.06	0.86	1.48	0.9	1
New York	0.0	6.00	1.12	1.52	1.84	0.98	3.9	1
North Carolina	1.0	5.78	0.86	0.82	0.57	1.02	2.7	1
North Dakota	0.5	6.36	1.79	1.03	0.69	1.05	0.6	1
Ohio	0.5	5.09	0.88	0.99	0.72	1.05	3.3	1
Oklahoma	0.5	5.55	1.01	0.80	0.54	1.23	3.9	1
Oregon	0.0	4.94	1.13	1.02	0.96	0.99	1.2	1
Pennsylvania	0.5	4.58	1.19	1.03	1.04	1.07	1.5	1
Rhode Island	0.0	4.69	1.00	1.07	1.22	1.21	3.6	1
South Carolina	0.0	5.47	0.78	0.90	0.94	1.01	1.2	1
South Dakota	0.5	5.47	1.33	0.84	0.75	1.29	0.6	1
Tennessee	0.0	5.14	0.86	0.85	0.64	1.15	3.6	0
Texas	0.5	5.43	1.18	0.85	1.08	1.11	1.8	1
Utah	0.0	5.03	0.99	0.87	0.77	1.06	1.5	1
Vermont	0.0	6.77	1.34	1.09	0.81	1.48	3.6	1
Virginia	0.0	5.52	0.83	0.84	0.84	0.80	0.6	1
Washington	0.0	4.86	1.12	1.08	1.16	0.85	2.7	0
West Virginia	0.0	5.59	1.45	0.87	0.63	1.40	2.7	1
Wisconsin	0.0	4.94	1.05	0.98	0.83	0.93	2.1	0
Wyoming	1.0	8.93	1.61	1.51	0.45	1.23	1.5	1



<b>State</b>	<b>HgwyCostEff</b>	<b>EducReform</b>	<b>SBPI</b>
Alabama	1.05	2.25	59.036
Alaska	2.45	2.00	69.933
Arizona	0.95	1.25	63.755
Arkansas	1.75	2.25	85.457
California	2.25	1.75	118.454
Colorado	1.65	1.50	62.754
Connecticut	2.20	2.00	94.919
Delaware	1.85	1.75	82.505
Florida	1.55	1.00	49.109
Georgia	0.65	1.50	70.628
Hawaii	2.50	2.00	105.922
Idaho	1.50	1.75	83.092
Illinois	1.35	1.75	84.764
Indiana	1.80	0.75	62.646
Iowa	0.90	2.00	97.209
Kansas	0.25	2.25	72.068
Kentucky	0.50	2.00	84.952
Louisiana	2.00	1.25	71.806
Maine	0.80	1.75	96.638
Maryland	1.95	2.25	86.461
Massachusetts	2.30	1.75	82.169
Michigan	1.60	1.50	64.720
Minnesota	1.40	1.50	105.913
Mississippi	0.40	2.00	68.045
Missouri	0.60	1.25	73.570
Montana	0.45	2.25	83.027
Nebraska	0.10	2.25	91.083
Nevada	1.20	1.75	36.628

New Hampshire	1.15	1.75	77.935
New Jersey	2.40	1.50	112.529
New Mexico	0.35	1.75	76.843
New York	2.15	1.75	107.393
North Carolina	1.00	1.50	72.034
North Dakota	0.30	2.50	63.134
Ohio	0.70	1.75	63.736
Oklahoma	1.10	1.25	74.082
Oregon	1.30	2.00	97.395
Pennsylvania	2.05	2.00	78.700
Rhode Island	2.35	1.75	91.891
South Carolina	0.20	1.50	69.218
South Dakota	0.15	2.25	35.378
Tennessee	0.85	1.50	75.436
Texas	0.55	1.75	38.562
Utah	1.45	1.25	64.555
Vermont	1.90	2.25	102.754
Virginia	1.25	2.00	66.771
Washington	2.10	1.75	52.010
West Virginia	1.70	2.00	78.587
Wisconsin	0.75	1.75	81.594
Wyoming	0.05	2.00	46.668

## 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*.

## About the Small Business & Entrepreneurship Council (SBE Council)

SBE Council is a nonprofit, nonpartisan advocacy, research and education organization dedicated to protecting small business and promoting entrepreneurship. For more than 20 years, SBE Council has worked to improve and strengthen the ecosystem for entrepreneurs and small business growth.

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