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# *2013 State Business Tax Burden Rankings*

*AEG Annual State Rankings, 4th Edition*

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## *I. Executive Summary*

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### **PURPOSE**

This report contains our state business tax burden rankings for all 50 states and the District of Columbia for 2011. We define the business tax burden as the total state and local taxes paid by business as a share of pre-tax operating margin, a measure of the money businesses have available to pay the tax.

The purposes of this report are to:

- Identify the major state and local taxes paid by businesses,
- Estimate the total amount of state and local taxes paid in 2011 by business in each state,
- Estimate each state's business tax burden in 2011 using state and local taxes paid as a share of business' pre-tax operating margin, and
- Rank all 50 states and the District of Columbia by 2011 business tax burden.

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

### **OUR APPROACH**

We address the burden of state and local taxes on businesses by estimating the actual amount of tax paid directly by business compared to business's pre-tax operating margin (one measure of a business's "ability to pay" these taxes). This approach provides a comprehensive, objective measure of the state and local tax burden. We do not weight some taxes more than others, nor do we rely on any subjective judgement about which taxes are better than others.

We used over 60 state and national sources to collect this information on 11 different categories of taxes, including property, income, sales, excise, license, severance, and other taxes. See "Methodology" on page 6 for more information.

### **KEY FINDINGS**

- US businesses paid over \$623 billion in state and local taxes in 2011
- Nationally, property taxes, general sales taxes, and unemployment insurance taxes make up the largest share of state and local business tax burden, accounting for over 68% of total state and local taxes paid by business in 2011.
- Business tax burdens vary widely by state. The five lowest-burden states collected under 8% of operating margin from businesses, while the five highest-burden states collected over 14% of operating margin.
- Low tax burden states vary in their taxing behavior. Some, such as Georgia (ranked 5th lowest), are not in the top nor bottom 10 states in many major business tax categories. Others, such as Delaware (ranked lowest) have low taxes in some categories (such as property) but high taxes in others (license fees).
- High tax burden states include many states that place high severance taxes on resource extraction, including Alaska (ranked 51st lowest) and Wyoming (49th). Other high-tax states have high burdens in broader-based taxes, including Florida (ranked 45th, high property tax burden) and Michigan (ranked 44th, high unemployment compensation tax burden).

**TAXES PAID BY  
BUSINESS**

Businesses pay many different taxes at the state and local level. We have identified 11 types of state and local taxes paid by business that totaled over \$623 billion for all state and local governments combined in 2011, as shown in Table 1.

**TABLE 1. Total State and Local Taxes Paid By US Businesses, 2011**

<b>Type of Tax</b>	<b>Total Taxes Paid (\$ Thousands)</b>	<b>% of Total</b>
Corporate Income Tax	\$46,734,649	7.5%
General Sales Taxes	\$115,979,996	18.6%
Gross Receipts Taxes	\$7,421,908	1.2%
Individual income tax on pass-thru business income	\$24,092,952	3.9%
License Fees	\$48,110,092	7.7%
Motor Fuel Sales Tax	\$8,547,173	1.4%
Other Selective Sales Tax	\$20,412,371	3.3%
Public Utilities Sales Tax	\$28,450,396	4.6%
Property Tax	\$230,818,102	37.0%
Severance	\$14,795,186	2.4%
Unemployment compensation	<u>\$78,208,719</u>	<u>12.5%</u>
<b>Total Taxes Paid by Businesses (in thousands)</b>	<b>\$623,571,542</b>	<b>100%</b>

*Source: U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.*

*Analysis: Anderson Economic Group LLC*

Many casual observers of state and local taxes might think first of a state's corporate income tax as being the most important. However, as shown in Table 1, of the 11 categories of state and local business tax we identify for all states combined, corporate income tax accounts for the fifth largest share of the total business tax burden, after property taxes, general sales taxes, unemployment compensation taxes, and license fees.

## 2011 STATE BUSINESS TAX BURDEN RANKINGS

We rank all 50 states and the District of Columbia on their business tax burdens. A rank of “1” indicates the state with the lowest tax burden as a share of business’s pre-tax operating surplus. Nationally, businesses paid 10.2% of operating margin in state and local taxes in 2010.

**TABLE 2. States with Lowest and Highest Business Tax Burdens, 2011**

Ten States with Lowest Business Tax Burdens			Ten States with Highest Business Tax Burdens		
Rank		Business Tax Burden (Share of Operating Margin)	Rank		Business Tax Burden (Share of Operating Margin)
1	Delaware	5.1%	42	New York	12.4%
2	Oregon	5.7%	43	South Carolina	12.8%
3	Utah	6.2%	44	Michigan	13.3%
4	Louisiana	7.3%	45	Florida	13.4%
5	Georgia	7.8%	46	Maine	13.5%
6	South Dakota	7.8%	47	West Virginia	14.2%
7	Maryland	8.0%	48	Vermont	14.6%
8	North Carolina	8.1%	49	Wyoming	15.7%
9	Oklahoma	8.2%	50	North Dakota	16.8%
10	Idaho	8.3%	51	Alaska	25.2%
<i>Memo:</i>					
U.S. State Average		10.2%			

*Note: Rankings include Washington, D.C.*

*Source: U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.*

*Analysis: Anderson Economic Group LLC*

**Ten States with Lowest Tax Burdens.** The ten states with the lowest tax burdens are: Delaware, Oregon, Utah, Louisiana, Georgia, South Dakota, Maryland, North Carolina, Oklahoma, and Idaho.

These states vary in their characteristics and taxing behavior. Delaware is among the 10 states with the lowest tax burden on property, motor fuels and other excise taxes, unemployment compensation, and sales tax, but has the highest license fees as a proportion of pre-tax operating surplus. Oregon has no general sales tax, but is otherwise not among the ten highest- or ten lowest-burden states in any of the major categories. Louisiana is among the ten highest-burden states in sales taxes and severance taxes, but is among the ten lowest in other major taxes such as property and unemployment compensation taxes.

**Ten States with Highest Tax Burdens.** The ten states with the highest tax burdens are: Alaska, North Dakota, Wyoming, Vermont, West Virginia, Maine, Florida, Michigan, South Carolina, and New York.

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## Executive Summary

The ten highest-burden states also vary in their taxing strategies. Alaska has low taxes in several categories, including individual income and general sales taxes, but has by far the highest severance taxes as a proportion of operating margin. As a result, businesses in non-extractive industries (which do not directly pay severance taxes) do not face a high tax burden.

South Carolina is a relatively high-tax-burden state in several broader taxes, including property and unemployment compensation taxes. Similarly, Florida has a relatively high burden due to property, public utilities, and general sales taxes, while having no individual income tax on pass-thru business income.

## ABOUT ANDERSON ECONOMIC GROUP

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

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

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

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

AEG's past clients include:

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

Visit AEG's website at: <http://www.AndersonEconomicGroup.com>.

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## *II. Methodology*

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Our approach to measuring the state and local tax burden is to estimate the total amount of state and local tax paid by businesses in each state and the District of Columbia, and divide it by a measure of business operating margin. This approach has the advantage of providing an objective measure which does not impose any external set of tax policy preferences. Our tax burden measure does not attempt to consider “fairness,” business decisions at the margin, the effects of different taxes on different types of business operations, or the incidence of any individual tax. Nevertheless, businesses’ hiring, expansion, and investment decisions are affected how much of their profits they have available after taxes to fund these actions.

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

### **MEASURE OF GROSS OPERATING SURPLUS**

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

Thus, the only difference between gross operating surplus and a comprehensive measure of after-tax profits is that gross operating surplus does not exclude depreciation of fixed assets. We add back in state and local taxes in order to measure the tax impact as a share of *pre-tax* gross operating surplus. Note that our measure does not attempt to take out *federal* taxes, which are difficult to apportion on a state-by-state basis. For further information on how we estimated gross operating surplus in each state for the year 2011, see “Business Profits Earned within Each State” on page 8.

### **TAXES PAID BY BUSINESSES**

Unless otherwise specified, all state tax collections data is from the U.S. Census of Governments 2011 Annual Survey of State Tax Collections. This source gives comparable tax and revenue data for all 50 states and the District of Columbia. We estimated tax collections for local governments based on 2010 figures reported in the Census of Governments State and Local Government Finances Survey, which we scaled based on 2010-11 growth in state collections.<sup>1</sup>

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1. Detailed local tax collections data is released less frequently than state data. In order to produce more timely rankings, we estimated local tax collections.

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

1. Property
2. License
3. Individual Income
4. Corporate Income
5. Unemployment Compensation
6. Severance
7. General Sales and Gross Receipts
8. Selective Sales (motor fuels, public utilities, and other)

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

**Property taxes.** We estimated 2011 local property tax collections based on 2010-11 growth in total state assessed property values (not state tax collections, as we have in other categories). When state-level data was not available, we applied a national growth rate. We allocated the total estimated 2011 state and local property tax collections to businesses based on figures from the 2011 American Community Survey. We calculated business share of property taxes paid as the residual of total property taxes collected in 2011 less property taxes paid on owner-occupied units. We treat rental housing as business property.

**License taxes and fees.** We allocated 100% of amusement, corporation, public utility, occupation and business, and alcoholic beverages<sup>2</sup> license taxes and fees to businesses. We allocated motor vehicle and motor vehicle operator license taxes based on the same ratio of diesel fuel tax to total fuel taxes used to apportion the motor fuel sales tax.

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

This information was only available for 2010. We used state-by-state changes in personal income, proprietorship income, and corporate income, separately, from 2010 to 2011 in order to estimate the 2011 values for each of the above categories. This income data was made available by the Bureau of Economic Analysis.

Once we had these estimates for 2011 for each state, we applied the state individual income tax rates in order to estimate the total income tax collected on business

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2. Alcoholic beverages license taxes were not allocated to business in prior editions of this study



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

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

**Unemployment compensation.** We retrieved state and local unemployment compensation revenue data from the 2010 Census of Governments State & Local Government Finances Survey and estimated 2011 figures based on 2010-11 growth in salary and wage disbursements (Bureau of Economic Analysis). We allocated 100% of estimated state and local unemployment compensation tax collections to businesses.

**Severance taxes.** Severance taxes on the extraction of natural resources were not allocated to businesses in prior editions of this study. After revising our method for 2011, we now allocate 100% of severance tax collections to businesses.

**General sales taxes.** General sales taxes were not allocated to businesses in prior editions of this study. In the current edition, we allocate general sales taxes to businesses based on the estimated share of taxable consumption attributable to businesses in each state.

We estimated business consumption of several hundred commodities by state using Bureau of Economic Analysis (BEA) data on KLEMS Intermediate Use and on state gross domestic product by industry. Business consumption of each commodity were estimated by assuming that the share of consumption by each industry that occurred in a given state was equivalent to the share of that industry's national GDP produced in that state.

We estimated household consumption of thousands of commodities by state using the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES) public use microdata and summary results. We used the 2011 CCH State Tax Handbook, data from the National Conference of State Legislators, and the web sites of tax and Treasury departments for various states to track which commodities were exempt or subject to special rates in each state.

Once we estimated the amount of taxable household consumption and business consumption, we could derive the share of total statewide taxable consumption that was attributable to businesses. We multiplied this share for each state by the U.S. Census Bureau's estimate for total state and local general sales tax collections in 2011.

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**Gross receipts taxes.** We used state government revenue data to isolate gross receipts tax collections in states that levy significant gross receipts taxes as part of their main business tax: Michigan, New Mexico<sup>3</sup>, Ohio, Pennsylvania, Washington, and District of Columbia.<sup>4</sup> We allocated 100% of these gross receipts taxes to businesses. We allocated Hawaii's gross receipt tax to businesses based on the methodology for general sales tax since Hawaii explicitly allows businesses to recoup the gross receipts tax by applying a pseudo-sales tax to the final sale price of goods.

**Motor fuel sales taxes.** We estimated the amount of state gasoline and diesel fuel tax collected for each state in 2011 using data from the U.S. Department of Transportation, Federal Highway Administration (motor fuel usage and fuel tax rates). We allocated a portion of 2011 state and local collections to businesses based on the share of each state's total fuel tax collections attributable to diesel. We assumed that companies, rather than households, generally purchase diesel and pay taxes on those purchases.

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

**Other selective sales tax.** We divided this category 50-50 between households and businesses.

## ESTIMATING GROSS OPERATING SURPLUS

The tax burden that we use in this report is defined as the share of pre-tax gross operating surplus that businesses must pay to state and local governments in the form of taxes and licensing fees. (By pre-tax, we mean before state and local taxes are paid. We have not isolated all taxes on business paid to the federal government by state.)

Gross operating surplus is an ideal candidate for our tax burden estimate because it is essentially a measure of profits. It is equal to the total output of a company (its revenue) minus the cost of goods, services, labor, and taxes. The only difference between gross operating surplus and most measures of "profits" is the depreciation of capital is not accounted for in gross operating surplus.

Gross operating surplus for businesses in each state is provided through 2010 by the Bureau of Economic Analysis. The BEA also publishes state-level GDP values through the year 2011. In order to estimate gross operating surplus for 2011, we first calculated the share of GDP derived from gross operating surplus in each state from 2006 to 2010. We then assumed that the average growth in this value from 2006 to 2010 would be the amount that it grew from 2010 to 2011. For example, gross operating surplus accounted for 40.1% of GDP in the U.S. in

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3. We did not isolate gross receipts taxes in Pennsylvania and New Mexico in prior editions of this study and, as a result, they were not allocated to businesses.
  4. District of Columbia's gross receipts taxes were not previously isolated, but most of this revenue was included in other tax categories that were partly or wholly allocated to businesses in prior years.

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2006 and 41.7% of GDP in the U.S. in 2010. At this rate of change, we would estimate that gross operating surplus would be 42.0% of GDP in the year 2011.

Once the share of GDP due to gross operating surplus was estimated in the year 2011 for each state, we multiplied this value by the gross domestic product for each state to attain our estimate for gross operating surplus in that state for 2011. We then divided the total estimated tax collections from business in each state by this estimated gross operating surplus plus state and local taxes paid in order to attain the business tax burden in each state.

## PRELIMINARY AND FINAL ESTIMATES

Throughout much of this procedure, we relied on 2010 data, which we then used to estimate 2011 figures. This is true for all local tax collections, estimates of income for small business owners, and our estimates for gross operating surplus in each state. Due to this procedure, these rankings represent preliminary estimates. Once 2011 data becomes available, we will enter this data in to replace our estimates in order to obtain final estimates for the business tax burden in each state.

## PREVIOUS YEAR'S RANKINGS AND DETAILED METHODOLOGY

The complete outline of AEG's 2006-08 methodology for apportioning taxes to businesses can be found in Patrick L. Anderson and Caroline M. Sallee, *Benchmarking for Success: A Comparison of State Business Taxes*, Anderson Economic Group (2006). This report is available at AEG's website: <http://www.AndersonEconomicGroup.com>. Methodology changes for 2010 are noted above. Prior editions of this study are also available on AEG's website.

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

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### *III. Data Appendix*

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Section Contents:

- Exhibit I, “Total State and Local Taxes Paid by Business, 2011”
- Exhibit II, “State and Local Taxes Paid by Business, Share of Operating Margin, 2011”
- Exhibit III, “AEG State Business Tax Burden Rankings, 2011”
- Exhibit IV, “Alternative State Business Tax Burden Rankings, 2011 Share of State GDP”

**Exhibit I. State and Local Taxes Paid by Business, FY 2011**

(amount in thousands)

State	Property Tax	Motor Fuel Sales Tax	Public Utilities Sales Tax	Other Selective Sales Tax	Corporate Income Tax	License Fees	Unemployment compensation	Individual income tax on pass-thru business income	Severance	Gross Receipts Taxes	General Sales Taxes	Total Taxes Paid by Businesses (in thousands)
<i>United States</i>	\$ 230,818,102	\$ 8,547,173	\$ 28,450,396	\$ 20,412,371	\$ 46,734,649	\$ 48,110,092	\$ 78,208,719	\$ 24,092,952	\$ 14,795,186	\$ 7,421,908	\$ 115,979,996	\$ 623,571,542
Alabama	\$ 1,697,667	\$ 146,561	\$ 819,729	\$ 297,888	\$ 301,178	\$ 837,685	\$ 660,685	\$ 256,178	\$ 119,595	\$ -	\$ 1,368,154	\$ 6,505,320
Alaska	\$ 984,873	\$ 16,887	\$ 4,362	\$ 34,713	\$ 720,733	\$ 117,801	\$ 151,580	\$ -	\$ 4,240,612	\$ -	\$ -	\$ 6,271,561
Arizona	\$ 4,776,536	\$ 230,830	\$ 239,819	\$ 117,089	\$ 560,236	\$ 429,815	\$ 363,180	\$ 223,676	\$ 40,237	\$ -	\$ 2,460,493	\$ 9,441,910
Arkansas	\$ 1,181,014	\$ 144,195	\$ 134,705	\$ 124,258	\$ 376,874	\$ 276,200	\$ 659,868	\$ 173,828	\$ 79,656	\$ -	\$ 1,534,640	\$ 4,685,239
California	\$ 27,985,851	\$ 684,169	\$ 4,067,644	\$ 2,846,938	\$ 9,613,594	\$ 6,740,141	\$ 12,919,227	\$ 4,627,727	\$ 31,910	\$ -	\$ 13,867,478	\$ 83,384,680
Colorado	\$ 5,290,343	\$ 119,587	\$ 129,870	\$ 342,998	\$ 383,513	\$ 404,476	\$ 629,234	\$ 336,763	\$ 167,726	\$ -	\$ 2,167,249	\$ 9,971,756
Connecticut	\$ 3,656,441	\$ 122,447	\$ 276,334	\$ 228,192	\$ 672,816	\$ 729,305	\$ 1,224,474	\$ 603,749	\$ 60	\$ -	\$ 1,169,834	\$ 8,683,652
Delaware	\$ 316,155	\$ 13,199	\$ 63,722	\$ 46,548	\$ 333,165	\$ 979,879	\$ 106,352	\$ 69,276	\$ -	\$ -	\$ -	\$ 1,928,297
District of Columbia	\$ 1,444,127	\$ 4,167	\$ -	\$ 6,720	\$ 359,684	\$ 15,642	\$ 159,122	\$ 82,178	\$ -	\$ 243,876	\$ 590,222	\$ 2,905,738
Florida	\$ 18,945,856	\$ 439,579	\$ 5,083,810	\$ 666,616	\$ 1,869,870	\$ 2,130,150	\$ 2,842,643	\$ -	\$ 59,020	\$ -	\$ 7,816,274	\$ 39,853,819
Georgia	\$ 6,164,343	\$ 187,936	\$ 346,497	\$ 244,030	\$ 670,410	\$ 641,214	\$ 1,097,651	\$ -	\$ -	\$ -	\$ 3,184,176	\$ 12,536,258
Hawaii	\$ 960,204	\$ 15,996	\$ 215,694	\$ 154,600	\$ 67,859	\$ 126,570	\$ 108,591	\$ 128,604	\$ -	\$ -	\$ 770,487	\$ 2,548,603
Idaho	\$ 697,528	\$ 65,564	\$ 30,223	\$ 28,964	\$ 170,214	\$ 167,910	\$ 412,508	\$ 141,508	\$ 7,787	\$ -	\$ 399,835	\$ 2,122,400
Illinois	\$ 9,026,598	\$ 373,365	\$ 2,964,535	\$ 1,122,062	\$ 1,851,000	\$ 1,974,274	\$ 4,218,353	\$ 858,368	\$ -	\$ -	\$ 1,533,185	\$ 25,541,741
Indiana	\$ 5,276,841	\$ 207,371	\$ 257,663	\$ 58,879	\$ 717,207	\$ 1,119,854	\$ 2,354,054	\$ 475,544	\$ 1,825	\$ -	\$ 2,393,641	\$ 12,862,980
Iowa	\$ 2,538,966	\$ 129,626	\$ 166,028	\$ 31,505	\$ 250,272	\$ 603,851	\$ 447,996	\$ 325,705	\$ -	\$ -	\$ 1,308,984	\$ 5,802,933
Kansas	\$ 2,448,524	\$ 128,008	\$ 219,738	\$ 31,057	\$ 246,518	\$ 279,096	\$ 415,341	\$ 272,683	\$ 122,169	\$ -	\$ 1,291,092	\$ 5,454,226
Kentucky	\$ 1,579,588	\$ 176,104	\$ 337,848	\$ 340,358	\$ 649,031	\$ 417,156	\$ 1,273,890	\$ 374,317	\$ 342,465	\$ -	\$ 1,193,011	\$ 6,683,767
Louisiana	\$ 2,582,230	\$ 150,171	\$ 237,525	\$ 174,038	\$ 196,732	\$ 1,097,341	\$ 245,948	\$ 346,323	\$ 729,260	\$ -	\$ 3,643,899	\$ 9,403,466
Maine	\$ 1,402,474	\$ 52,779	\$ 38,951	\$ 59,232	\$ 208,997	\$ 182,434	\$ 142,673	\$ 126,835	\$ -	\$ -	\$ 321,323	\$ 2,535,697
Maryland	\$ 3,147,496	\$ 125,356	\$ 577,000	\$ 567,439	\$ 775,845	\$ 453,511	\$ 891,564	\$ 901,767	\$ -	\$ -	\$ 1,333,072	\$ 8,773,051
Massachusetts	\$ 6,137,376	\$ 79,220	\$ 26,464	\$ 362,711	\$ 1,931,571	\$ 416,748	\$ 2,144,414	\$ 1,112,326	\$ -	\$ -	\$ 1,770,388	\$ 13,981,218
Michigan	\$ 6,964,506	\$ 123,151	\$ 87,256	\$ 481,047	\$ 719,890	\$ 669,737	\$ 5,643,898	\$ 446,461	\$ 80,423	\$ 1,378,517	\$ 2,555,288	\$ 19,150,174
Minnesota	\$ 3,570,651	\$ 167,931	\$ 80,975	\$ 947,727	\$ 1,003,657	\$ 620,610	\$ 1,526,018	\$ 668,010	\$ 28,395	\$ -	\$ 2,653,483	\$ 11,267,458
Mississippi	\$ 1,997,211	\$ 112,199	\$ 57,315	\$ 223,545	\$ 353,057	\$ 476,655	\$ 131,324	\$ 135,452	\$ 112,326	\$ -	\$ 1,067,230	\$ 4,666,313
Missouri	\$ 3,005,083	\$ 171,924	\$ 505,819	\$ 141,211	\$ 418,003	\$ 834,563	\$ 1,328,052	\$ 441,462	\$ 5	\$ -	\$ 1,815,415	\$ 8,661,537
Montana	\$ 836,884	\$ 72,338	\$ 50,518	\$ 25,836	\$ 123,985	\$ 232,158	\$ 100,653	\$ 96,339	\$ 278,372	\$ -	\$ -	\$ 1,817,084
Nebraska	\$ 1,593,788	\$ 107,169	\$ 164,236	\$ 110,025	\$ 154,945	\$ 229,090	\$ 186,521	\$ 185,943	\$ 4,440	\$ -	\$ 904,784	\$ 3,640,941
Nevada	\$ 1,845,665	\$ 86,510	\$ 268,920	\$ 221,501	\$ -	\$ 1,480,340	\$ 750,070	\$ -	\$ 272,240	\$ -	\$ 1,383,021	\$ 6,308,266
New Hampshire	\$ 1,337,446	\$ 19,137	\$ 88,549	\$ 167,222	\$ 583,063	\$ 155,812	\$ 153,066	\$ -	\$ -	\$ -	\$ -	\$ 2,504,295
New Jersey	\$ 8,592,739	\$ 115,798	\$ 982,804	\$ 375,862	\$ 2,216,438	\$ 1,328,868	\$ 3,937,983	\$ 1,133,737	\$ -	\$ -	\$ 3,039,980	\$ 21,724,209
New Mexico	\$ 625,860	\$ 92,803	\$ 90,021	\$ 78,509	\$ 229,800	\$ 224,652	\$ 128,248	\$ 79,676	\$ 804,586	\$ -	\$ 1,450,042	\$ 3,804,198
New York	\$ 23,023,693	\$ 300,291	\$ 1,782,842	\$ 2,996,989	\$ 9,354,175	\$ 898,107	\$ 6,222,071	\$ 3,845,803	\$ -	\$ -	\$ 9,583,769	\$ 58,007,740
North Carolina	\$ 4,839,250	\$ 308,451	\$ 400,665	\$ 381,545	\$ 1,092,078	\$ 1,206,937	\$ 3,230,188	\$ 761,491	\$ 1,610	\$ -	\$ 3,168,274	\$ 15,390,487
North Dakota	\$ 395,051	\$ 74,688	\$ 48,602	\$ 57,767	\$ 160,640	\$ 121,473	\$ 76,981	\$ 49,764	\$ 1,883,816	\$ -	\$ 533,866	\$ 3,402,648
Ohio	\$ 5,441,947	\$ 400,614	\$ 1,216,335	\$ 272,019	\$ 443,141	\$ 2,766,160	\$ 3,654,201	\$ 1,122,248	\$ 11,197	\$ 1,423,312	\$ 3,266,387	\$ 20,017,562
Oklahoma	\$ 1,194,538	\$ 118,153	\$ 190,160	\$ 34,258	\$ 353,972	\$ 443,346	\$ 194,435	\$ 240,772	\$ 830,662	\$ -	\$ 1,593,468	\$ 5,193,764
Oregon	\$ 2,644,050	\$ 113,137	\$ 371,175	\$ 179,352	\$ 527,117	\$ 480,143	\$ 786,226	\$ 477,498	\$ 13,199	\$ -	\$ -	\$ 5,591,896
Pennsylvania	\$ 5,949,140	\$ 527,127	\$ 1,281,240	\$ 517,942	\$ 2,316,449	\$ 4,153,662	\$ 5,518,383	\$ 1,020,509	\$ -	\$ 1,361,830	\$ 3,218,995	\$ 25,865,276
Rhode Island	\$ 984,830	\$ 17,850	\$ 105,326	\$ 94,374	\$ 147,989	\$ 58,029	\$ 454,503	\$ 96,093	\$ -	\$ -	\$ 300,015	\$ 2,259,008
South Carolina	\$ 3,510,712	\$ 115,996	\$ 144,204	\$ 244,899	\$ 216,082	\$ 894,743	\$ 1,206,788	\$ 234,249	\$ -	\$ -	\$ 1,206,605	\$ 7,774,277
South Dakota	\$ 527,639	\$ 40,355	\$ 14,908	\$ 34,722	\$ 15,208	\$ 146,016	\$ 61,848	\$ -	\$ 10,596	\$ -	\$ 669,208	\$ 1,520,500
Tennessee	\$ 2,911,967	\$ 162,667	\$ 106,901	\$ 332,044	\$ 1,068,573	\$ 1,095,315	\$ 826,334	\$ -	\$ 9,921	\$ -	\$ 3,378,865	\$ 9,892,588
Texas	\$ 23,097,732	\$ 789,953	\$ 1,613,073	\$ 2,557,101	\$ -	\$ 6,100,467	\$ 3,538,355	\$ -	\$ 2,677,604	\$ -	\$ 13,178,022	\$ 53,552,307
Utah	\$ 1,258,008	\$ 114,001	\$ 156,597	\$ 92,269	\$ 247,661	\$ 182,336	\$ 164,947	\$ 169,232	\$ 101,665	\$ -	\$ 905,546	\$ 3,392,262
Vermont	\$ 651,224	\$ 21,875	\$ 14,944	\$ 157,708	\$ 105,077	\$ 56,250	\$ 117,008	\$ 55,515	\$ -	\$ -	\$ 113,448	\$ 1,293,049
Virginia	\$ 5,982,020	\$ 179,801	\$ 728,021	\$ 679,265	\$ 798,404	\$ 1,269,838	\$ 839,107	\$ 722,912	\$ 59,906	\$ -	\$ 1,511,923	\$ 12,771,197
Washington	\$ 3,336,626	\$ 228,149	\$ 1,073,368	\$ 611,307	\$ -	\$ 860,547	\$ 1,324,044	\$ -	\$ 34,672	\$ 3,014,373	\$ 3,806,961	\$ 14,290,046
West Virginia	\$ 1,038,221	\$ 99,510	\$ 193,699	\$ 230,940	\$ 307,278	\$ 125,245	\$ 215,199	\$ 109,989	\$ 587,448	\$ -	\$ 642,789	\$ 3,550,317
Wisconsin	\$ 4,234,149	\$ 218,478	\$ 374,994	\$ 270,500	\$ 850,647	\$ 772,334	\$ 2,343,425	\$ 562,443	\$ 5,631	\$ -	\$ 1,666,278	\$ 11,298,879
Wyoming	\$ 1,186,445	\$ 33,999	\$ 18,768	\$ 8,055	\$ -	\$ 85,606	\$ 79,492	\$ -	\$ 1,044,150	\$ -	\$ 628,887	\$ 3,085,412

Source: U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Analysis: Anderson Economic Group, LLC

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

**Exhibit II. State and Local Taxes Paid by Business, Share of Pre-Tax Gross Operating Surplus, 2011**

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

State	Property Tax	Motor Fuel Sales Tax	Public Utilities Sales Tax	Other Selective Sales Tax	Corporate Income Tax	License Fees	Unemployment compensation	Individual income tax on pass-thru business income	Severance	Gross Receipts Taxes	General Sales Taxes	Total
<i>United States</i>	3.8%	0.1%	0.5%	0.3%	0.8%	0.8%	1.3%	0.4%	0.2%	0.1%	1.9%	10.2%
Alabama	2.6%	0.2%	1.3%	0.5%	0.5%	1.3%	1.0%	0.4%	0.2%	0.0%	2.1%	10.1%
Alaska	4.0%	0.1%	0.0%	0.1%	2.9%	0.5%	0.6%	0.0%	17.0%	0.0%	0.0%	25.2%
Arizona	4.4%	0.2%	0.2%	0.1%	0.5%	0.4%	0.3%	0.2%	0.2%	0.0%	2.3%	8.7%
Arkansas	2.8%	0.3%	0.3%	0.3%	0.9%	0.6%	1.5%	0.4%	0.2%	0.0%	3.6%	10.9%
California	3.3%	0.1%	0.5%	0.3%	1.1%	0.8%	1.5%	0.5%	0.0%	0.0%	1.6%	9.9%
Colorado	4.9%	0.1%	0.1%	0.3%	0.4%	0.4%	0.6%	0.3%	0.2%	0.0%	2.0%	9.2%
Connecticut	3.8%	0.1%	0.3%	0.2%	0.7%	0.7%	1.3%	0.6%	0.0%	0.0%	1.2%	8.9%
Delaware	0.8%	0.0%	0.2%	0.1%	0.9%	2.6%	0.3%	0.2%	0.0%	0.0%	0.0%	5.1%
District of Columbia	5.3%	0.0%	0.0%	0.0%	1.3%	0.1%	0.6%	0.3%	0.0%	0.9%	2.1%	10.6%
Florida	6.4%	0.1%	1.7%	0.2%	0.6%	0.7%	1.0%	0.0%	0.0%	0.0%	2.6%	13.4%
Georgia	3.8%	0.1%	0.2%	0.2%	0.4%	0.4%	0.7%	0.0%	0.0%	0.0%	2.0%	7.8%
Hawaii	4.0%	0.1%	0.9%	0.6%	0.3%	0.5%	0.5%	0.5%	0.0%	0.0%	3.2%	10.6%
Idaho	2.7%	0.3%	0.1%	0.1%	0.7%	0.7%	1.6%	0.6%	0.0%	0.0%	1.6%	8.3%
Illinois	3.4%	0.1%	1.1%	0.4%	0.7%	0.7%	1.6%	0.3%	0.0%	0.0%	1.2%	9.6%
Indiana	4.3%	0.2%	0.2%	0.0%	0.6%	0.9%	1.9%	0.4%	0.0%	0.0%	2.0%	10.6%
Iowa	3.7%	0.2%	0.0%	0.0%	0.4%	0.9%	0.7%	0.5%	0.0%	0.0%	1.9%	8.5%
Kansas	4.8%	0.3%	0.4%	0.1%	0.5%	0.5%	0.8%	0.5%	0.2%	0.0%	2.5%	10.7%
Kentucky	2.6%	0.3%	0.6%	0.6%	1.1%	0.7%	2.1%	0.6%	0.6%	0.0%	2.0%	11.1%
Louisiana	2.0%	0.1%	0.2%	0.1%	0.2%	0.9%	0.2%	0.3%	0.6%	0.0%	2.8%	7.3%
Maine	7.5%	0.3%	0.2%	0.3%	1.1%	1.0%	0.8%	0.7%	0.0%	0.0%	1.7%	13.5%
Maryland	2.9%	0.1%	0.5%	0.5%	0.7%	0.4%	0.8%	0.8%	0.0%	0.0%	1.2%	8.0%
Massachusetts	4.3%	0.1%	0.0%	0.3%	1.3%	0.3%	1.5%	0.8%	0.0%	0.0%	1.2%	9.7%
Michigan	4.8%	0.1%	0.1%	0.3%	0.5%	0.5%	3.9%	0.3%	0.1%	1.0%	1.8%	13.3%
Minnesota	3.2%	0.1%	0.1%	0.8%	0.9%	0.5%	1.4%	0.6%	0.0%	0.0%	2.4%	10.0%
Mississippi	5.1%	0.3%	0.1%	0.6%	0.9%	1.2%	0.3%	0.3%	0.3%	0.0%	2.7%	11.9%
Missouri	3.2%	0.2%	0.5%	0.2%	0.4%	0.9%	1.4%	0.5%	0.0%	0.0%	1.9%	9.2%
Montana	5.3%	0.5%	0.3%	0.2%	0.8%	1.5%	0.6%	0.6%	1.8%	0.0%	0.0%	11.5%
Nebraska	3.8%	0.3%	0.4%	0.3%	0.4%	0.5%	0.4%	0.4%	0.0%	0.0%	2.1%	8.6%
Nevada	3.0%	0.1%	0.4%	0.4%	0.0%	2.4%	1.2%	0.0%	0.4%	0.0%	2.2%	10.2%
New Hampshire	5.4%	0.1%	0.4%	0.7%	2.4%	0.6%	0.6%	0.0%	0.0%	0.0%	0.0%	10.1%
New Jersey	4.5%	0.1%	0.5%	0.2%	1.2%	0.7%	2.1%	0.6%	0.0%	0.0%	1.6%	11.3%
New Mexico	2.0%	0.3%	0.3%	0.2%	0.7%	0.7%	0.4%	0.3%	2.5%	0.0%	4.6%	12.0%
New York	4.9%	0.1%	0.4%	0.6%	2.0%	0.2%	1.3%	0.8%	0.0%	0.0%	2.1%	12.4%
North Carolina	2.6%	0.2%	0.2%	0.2%	0.6%	0.6%	1.7%	0.4%	0.0%	0.0%	1.7%	8.1%
North Dakota	2.0%	0.4%	0.2%	0.3%	0.8%	0.6%	0.4%	0.2%	9.3%	0.0%	2.6%	16.8%
Ohio	3.0%	0.2%	0.7%	0.2%	0.2%	1.5%	2.0%	0.6%	0.0%	0.8%	1.8%	11.1%
Oklahoma	1.9%	0.2%	0.3%	0.1%	0.6%	0.7%	0.3%	0.4%	1.3%	0.0%	2.5%	8.2%
Oregon	2.7%	0.1%	0.4%	0.2%	0.5%	0.5%	0.8%	0.5%	0.0%	0.0%	0.0%	5.7%
Pennsylvania	2.6%	0.2%	0.6%	0.2%	1.0%	1.8%	2.5%	0.5%	0.0%	0.6%	1.4%	11.5%
Rhode Island	5.0%	0.1%	0.5%	0.5%	0.7%	0.3%	2.3%	0.5%	0.0%	0.0%	1.5%	11.4%
South Carolina	5.8%	0.2%	0.2%	0.4%	0.4%	1.5%	2.0%	0.4%	0.0%	0.0%	2.0%	12.8%
South Dakota	2.7%	0.2%	0.1%	0.2%	0.1%	0.8%	0.3%	0.0%	0.1%	0.0%	3.4%	7.8%
Tennessee	2.7%	0.2%	0.1%	0.3%	1.0%	1.0%	0.8%	0.0%	0.0%	0.0%	3.2%	9.3%
Texas	4.0%	0.1%	0.3%	0.4%	0.0%	1.0%	0.6%	0.0%	0.5%	0.0%	2.3%	9.2%
Utah	2.3%	0.2%	0.3%	0.2%	0.5%	0.3%	0.3%	0.3%	0.0%	0.0%	1.7%	6.2%
Vermont	7.3%	0.2%	0.2%	1.8%	1.2%	0.6%	1.3%	0.6%	0.0%	0.0%	1.3%	14.6%
Virginia	4.0%	0.1%	0.5%	0.5%	0.5%	0.8%	0.6%	0.5%	0.0%	0.0%	1.0%	8.5%
Washington	2.4%	0.2%	0.8%	0.4%	0.0%	0.6%	1.0%	0.0%	0.0%	2.2%	2.8%	10.3%
West Virginia	4.2%	0.4%	0.8%	0.9%	1.2%	0.5%	0.9%	0.4%	2.3%	0.0%	2.6%	14.2%
Wisconsin	4.2%	0.2%	0.4%	0.3%	0.9%	0.8%	2.3%	0.6%	0.0%	0.0%	1.7%	11.3%
Wyoming	6.0%	0.2%	0.1%	0.0%	0.0%	0.4%	0.4%	0.0%	5.3%	0.0%	3.2%	15.7%

Legend: 10 Lowest Tax States  
10 Highest Tax States

Source: U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Analysis: Anderson Economic Group, LLC

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

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**Exhibit III. AEG State Business Tax Burden Rankings, 2011**


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<b>Rank</b>	<b>State</b>	<b>Tax Collected from Business (millions)</b>	<b>Share of Pre-Tax Operating Surplus</b>
1	Delaware	\$1,928	5.1%
2	Oregon	\$5,592	5.7%
3	Utah	\$3,392	6.2%
4	Louisiana	\$9,403	7.3%
5	Georgia	\$12,536	7.8%
6	South Dakota	\$1,520	7.8%
7	Maryland	\$8,773	8.0%
8	North Carolina	\$15,390	8.1%
9	Oklahoma	\$5,194	8.2%
10	Idaho	\$2,122	8.3%
11	Virginia	\$12,771	8.5%
12	Iowa	\$5,803	8.5%
13	Nebraska	\$3,641	8.6%
14	Arizona	\$9,442	8.7%
15	Connecticut	\$8,684	8.9%
16	Colorado	\$9,972	9.2%
17	Texas	\$53,552	9.2%
18	Missouri	\$8,662	9.2%
19	Tennessee	\$9,893	9.3%
20	Illinois	\$25,542	9.6%
21	Massachusetts	\$13,981	9.7%
22	California	\$83,385	9.9%
23	Minnesota	\$11,267	10.0%
24	Alabama	\$6,505	10.1%
25	New Hampshire	\$2,504	10.1%
26	Nevada	\$6,308	10.2%
27	Washington	\$14,290	10.3%
28	Indiana	\$12,863	10.6%
29	District of Columbia	\$2,906	10.6%
30	Hawaii	\$2,549	10.6%
31	Kansas	\$5,454	10.7%
32	Arkansas	\$4,685	10.9%
33	Ohio	\$20,018	11.1%
34	Kentucky	\$6,684	11.1%
35	Wisconsin	\$11,299	11.3%
36	New Jersey	\$21,724	11.3%
37	Rhode Island	\$2,259	11.4%
38	Montana	\$1,817	11.5%
39	Pennsylvania	\$25,865	11.5%
40	Mississippi	\$4,666	11.9%
41	New Mexico	\$3,804	12.0%
42	New York	\$58,008	12.4%
43	South Carolina	\$7,774	12.8%
44	Michigan	\$19,150	13.3%
45	Florida	\$39,854	13.4%
46	Maine	\$2,536	13.5%
47	West Virginia	\$3,550	14.2%
48	Vermont	\$1,293	14.6%
49	Wyoming	\$3,085	15.7%
50	North Dakota	\$3,403	16.8%
51	Alaska	\$6,272	25.2%

Source: U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

Analysis: Anderson Economic Group LLC

Exhibit IV. Alternative State Business Tax Burden Rankings, 2011 Share of State GDP

State	Tax Collected from Business (millions)	Share of State GDP	Rank Using State GDP	Rank Using Pre-Tax Gross Operating Surplus (For Reference)
Alabama	\$6,505	4.6%	24	24
Alaska	\$6,272	15.1%	51	51
Arizona	\$9,442	4.2%	13	14
Arkansas	\$4,685	5.2%	36	32
California	\$83,385	4.8%	28	22
Colorado	\$9,972	4.3%	18	16
Connecticut	\$8,684	4.2%	12	15
Delaware	\$1,928	3.2%	2	1
District of Columbia	\$2,906	4.1%	11	29
Florida	\$39,854	6.1%	47	45
Georgia	\$12,536	3.5%	4	5
Hawaii	\$2,549	5.1%	34	30
Idaho	\$2,122	4.2%	17	10
Illinois	\$25,542	4.2%	14	20
Indiana	\$12,863	5.1%	35	28
Iowa	\$5,803	4.4%	21	12
Kansas	\$5,454	4.9%	30	31
Kentucky	\$6,684	4.9%	29	34
Louisiana	\$9,403	4.2%	16	4
Maine	\$2,536	5.7%	43	46
Maryland	\$8,773	3.6%	5	7
Massachusetts	\$13,981	3.9%	7	21
Michigan	\$19,150	5.6%	40	44
Minnesota	\$11,267	4.4%	22	23
Mississippi	\$4,666	5.8%	45	40
Missouri	\$8,662	4.0%	8	18
Montana	\$1,817	5.7%	42	38
Nebraska	\$3,641	4.5%	23	13
Nevada	\$6,308	5.4%	38	26
New Hampshire	\$2,504	4.4%	20	25
New Jersey	\$21,724	5.0%	33	36
New Mexico	\$3,804	5.9%	46	41
New York	\$58,008	5.6%	39	42
North Carolina	\$15,390	4.1%	10	8
North Dakota	\$3,403	9.6%	50	50
Ohio	\$20,018	4.7%	26	33
Oklahoma	\$5,194	4.0%	9	9
Oregon	\$5,592	3.2%	3	2
Pennsylvania	\$25,865	5.0%	32	39
Rhode Island	\$2,259	5.2%	37	37
South Carolina	\$7,774	5.7%	41	43
South Dakota	\$1,520	4.3%	19	6
Tennessee	\$9,893	4.2%	15	19
Texas	\$53,552	4.6%	25	17
Utah	\$3,392	3.1%	1	3
Vermont	\$1,293	5.8%	44	48
Virginia	\$12,771	3.7%	6	11
Washington	\$14,290	4.7%	27	27
West Virginia	\$3,550	6.5%	48	47
Wisconsin	\$11,299	5.0%	31	35
Wyoming	\$3,085	9.5%	49	49

Source: U.S. Census of Governments State and Local Finance Survey and other federal and state sources. See Methodology Appendix for complete source list.

#### *IV. Comparison to Other Tax Burden Rankings*

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In this section we provide a comparison of this year's rankings of US states and the District of Columbia to two other rankings:

**AEG 2008 State Rankings.** In order to provide more timely and comprehensive rankings, AEG has updated its methodology for 2011. As a result, the published rankings from prior years are not comparable to these 2011 figures. While we made modifications to several tax categories, the most significant change is the inclusion of general sales taxes in our ranking. As shown in Table 1 on page 2, this accounts for over 18% of the state and local business tax burden for the nation as a whole.

**Using State GDP As the Denominator.** In order to provide a more comprehensive analysis of business tax burdens, we also present an alternative ranking: business taxes as a share of state GDP. Business taxes as a share of state GDP demonstrates the tax burden as a share of total production in each state.

The comparison is shown in Exhibit V, "AEG Ranking Compared to Alternative and Past Rankings" on the following page.



# Exhibit V. AEG Ranking Compared to Alternative and Past Rankings

