

2013 SENATE FINANCE AND TAXATION

SB 2236

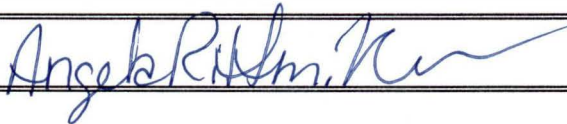
2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2236
1/29/2013
Job Number 17879

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact subdivision a of subsection 1 of section 57-35.3-02, subsections 1 and 3 of section 57-38-01.3, sections 57-38-01.24, 57-38-01.25, and 57-38-01.26, subsection 6 of section 57-38-01.27, sections 57-38-01.31, 57-38-01.32, 57-38-01.33, 57-38-30, and 57-38-30.5, subsections 3 and 4 of section 57-38-40, section 57-38.1-16, subsection 6 of section 57-38.5-01, and sections 57-38.5-03 and 57-38.6-03 of the North Dakota Century Code, relating to corporate income tax rates, deductions, and credits; and to provide an effective date.

Minutes:

Testimony Attached

Chairman Cook opened the hearing on SB 2236.

Senator Miller introduced SB 2236 and handed out attachment 1.

Senator Triplett - On the fiscal note where it says that the tax rate of 4.67% is estimated to be revenue neutral overall, it will not necessarily be revenue neutral for any particular taxpayer however so if you look at the existing law where corporations who have income up to the first \$25,000 now have a tax rate of 1.68% so all of those folks will experience a very significant, like a tripling of their tax, the people who are currently in the middle bracket at \$25,000-\$50,000 currently taxed at 4.23% will experience a slight increase to 4.67% and the taxable income a corporation exceeding \$50,000 will have a modest decrease from 5.15% to 4.67%. How do you justify asking those smallest corporations to have a 3 fold increase?

Senator Miller - The corporate bodies that pay taxes from \$0-\$25,000 I don't anticipate that they are going to even notice that their taxes went up. You're talking about large corporations that generally organize themselves in this fashion. When you talking about Wal-Mart and these large corporations.

Senator Triplett - So you're suggesting there isn't very many corporations who actually don't earn more than \$25,000 in the state and because it's just on the first \$25,000 of taxable income a larger corporation won't notice?

Senator Miller - Farms sometimes even organize in this fashion so I suppose they could say "we only earned \$25,000". I just don't think that happens. In the same fashion why shouldn't they pay a higher rate, they are a corporation.

Chairman Cook - The top bracket doesn't go down very much which tells me there aren't a whole lot of taxpayers in the lower bracket.

Dustin Gawrylow - See attached testimony 2 in favor of SB 2236.

Senator Triplett - You referenced 'chasing ghosts' in terms of how to figure out what these people who rank states want. Don't you think you are also kind of 'chasing ghosts' in terms of the ranking because if our state is thinking about these things and asking how we can improve aren't all the other states from 5-25 doing the same thing and so isn't this just a zero sum game in some respects?

Dustin Gawrylow - Most states aren't in a position to be able to do something like this right now. I think right now is the time for us to rebalance our tax code in the state so that if the boom starts leveling off or tapers down we can show businesses that we intend to continually improve our tax policy in North Dakota, then that will allow attract the kind of businesses that aren't related to boom economies.

Matt Peyerl, Tax Department, went through some tax credits with facts and figures.

Chairman Cook closed the hearing on SB 2236.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2236
2/11/2013
Job Number 18718

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact subdivision a of subsection 1 of section 57-35.3-02, subsections 1 and 3 of section 57-38-01.3, sections 57-38-01.24, 57-38-01.25, and 57-38-01.26, subsection 6 of section 57-38-01.27, sections 57-38-01.31, 57-38-01.32, 57-38-01.33, 57-38-30, and 57-38-30.5, subsections 3 and 4 of section 57-38-40, section 57-38.1-16, subsection 6 of section 57-38.5-01, and sections 57-38.5-03 and 57-38.6-03 of the North Dakota Century Code, relating to corporate income tax rates, deductions, and credits; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened the hearing on SB 2236.

Senator Miller - I'll move a **Do Not Pass**.

Seconded by **Senator Burckhard**.

Roll Call Vote 7-0-0

Carried by **Senator Miller**.

FISCAL NOTE
Requested by Legislative Council
01/18/2013

Bill/Resolution No.: SB 2236

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2236 repeals some corporate income tax credits and imposes a flat tax rate of 4.67%.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 10 of SB 2236 removes the existing corporate income tax brackets and imposes a flat tax rate of 4.67%. The other sections in the bill repeal certain corporate tax credits and adjustments. The tax rate of 4.67% is estimated to be revenue-neutral overall. It will not necessarily be revenue-neutral for any particular taxpayer, however. There will be changes in tax liabilities among corporate taxpayers if SB 2236 is enacted.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/27/2013

Date: 2-11-13
 Roll Call Vote #: 1

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2236**

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett	X	
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Miller

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2236: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2236 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

SB 2236

Comparison of State Corporation Income Tax Rates As of January 1, 2012

A comparison of tax obligations would also need to consider complex variables such as different state definitions of taxable income and circumstances of each corporation.

State	Tax Rate (percent) Corporation		Tax Brackets		Tax Rate ⁽¹⁾ (percent) Financial Institution		Federal Income Tax Deductible
	Lowest	Highest	Lowest	Highest	Lowest	Highest	
Alabama		6.5		Flat Rate		6.5	Yes
Alaska	1.0	9.4	\$9,999	\$90,000	1.0	9.4	No
* Arizona		6.968		Flat Rate		6.968	No
Arkansas	1.0	6.5	\$3,000	\$100,000	1.0	6.5	No
* California		8.84		Flat Rate		10.84	No
Colorado		4.63		Flat Rate		4.63	No
* Connecticut		7.5		Flat Rate		7.5	No
* Delaware		8.7		Flat Rate	8.7	1.7	No
* Florida		5.5		Flat Rate		5.5	No
Georgia		6.0		Flat Rate		6.0	No
* Hawaii	4.4	6.4	\$25,000	\$100,000		7.92	No
* Idaho		7.6		Flat Rate		7.6	No
* Illinois		9.5		Flat Rate		9.5	No
* Indiana		8.5		Flat Rate		8.5	No
* Iowa	6.0	12.0	\$25,000	\$250,000		5.0	Yes
* Kansas		4.0		Flat Rate		2.25	No
* Kentucky	4.0	6.0	\$50,000	\$100,000		(a)	No
Louisiana	4.0	8.0	\$25,000	\$200,000	4.0	8.0	Yes
* Maine	3.5	8.93	\$25,000	\$250,000		1.0	No
Maryland		8.25		Flat Rate		8.25	No
* Massachusetts		8.0		Flat Rate		9.0	No
* Michigan		6.0		Flat Rate			No
* Minnesota		9.8		Flat Rate		9.8	No
Mississippi	3.0	5.0	\$5,000	\$10,000	3.0	5.0	No
* Missouri		6.25		Flat Rate		7.0	Yes
* Montana		6.75		Flat Rate		6.75	No
* Nebraska	5.58	7.81		\$100,000		(a)	No
Nevada		no tax					No
* New Hampshire		8.5		Flat Rate		8.5	No
* New Jersey		9.0		Flat Rate		9.0	No
New Mexico	4.8	7.6	\$500,000	\$1,000,000	4.8	7.6	No
* New York		7.1		Flat Rate		7.1	No
* North Carolina		6.9		Flat Rate		6.9	No
* NORTH DAKOTA	1.68	5.15	\$25,000	\$50,000		6.5	No
* Ohio							No
Oklahoma		6.0		Flat Rate		6.0	No
* Oregon	6.6	7.6		\$250,000	6.6	7.6	No
* Pennsylvania		9.99		Flat Rate			No
* Rhode Island		9.0		Flat Rate		9.0	No
* South Carolina		5.0		Flat Rate		4.5	No
* South Dakota		no tax			6.0	0.25	No
Tennessee		6.5		Flat Rate		6.5	No
* Texas							No
* Utah		5.0		Flat Rate		5.0	No
* Vermont	6.0	8.5	\$10,000	\$25,000			No
Virginia		6.0		Flat Rate		6.0	No
* Washington							No
* West Virginia		7.5		Flat Rate		7.5	No
Wisconsin		7.9		Flat Rate		7.9	No
Wyoming		no tax					No
* District of Columbia		9.975		Flat Rate		9.975	No

(1) Rates listed include the corporate tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.

* See footnotes on following page.

Nevada, South Dakota, and Wyoming do not have state corporate income taxes.

Senate Bill 2236 – Senate Tax and Finance Committee – Dustin Gawrylow

Goal: Improve North Dakota's Corporate Tax Rank to #4 (up from 21).

Intentions of the bill:

The following are the intentions of the bill, if the language does not achieve these goals, it will need to be amended to do so.

Single rate of 4.67% on all income

Progressivity in a corporate tax code is unlike progressivity in personal income taxes. The reason is that the burden of personal income taxes falls entirely on the person who files the tax return and forks over the money. That's not how corporate income taxes work. Instead, the corporation (which is just a stack of legal documents) passes on the burden of the payment to three groups of people -- customers, employees and investors -- and that pass-along occurs no matter what the size of the firm.

Take for example a small high-brow firm. It pays its employees high salaries, sells its product to rich people, and its investors might be a group of wealthy venture capitalists. Does such a firm deserve a lower tax rate on progressive grounds? No. Contrast that with a large discount retailer: its employees are modestly paid, its customers are low-income workers, and its investors include not just corporate titans but pension funds and other large pools of middle-class savings. Does that large firm deserve a higher tax rate on progressive grounds? No.

Unlimited NOL carry-forwards for 20 years and carrybacks for 3 years

It is for convenience reasons that we tax income on an annual basis. However, that arbitrary time choice can be problematic for corporations with cyclical income, seeing high profits one year but losses the next. The federal government and most states allow corporations to deduct losses from previous years to offset current taxes owed. These Net Operating Loss (NOL) "carrybacks" and "carryforwards" smooth out tax obligations over time. This policy is valuable because it assures that industries with cyclical income are not set at a competitive disadvantage against industries with more stable revenue.

Eliminates jobs, R&D, and new investment tax credits

Policymakers create these deals under the banner of job creation and economic development, but the truth is that if a state needs to offer such packages, it is most likely covering for a bad business tax climate. Economic development and job creation tax credits complicate the tax system, narrow the tax base, drive up tax rates for companies that do not qualify, distort the free market, and often fail to achieve economic growth.

A more effective approach is to systematically improve the business tax climate for the long term. By trading targeted tax credits for a lower overall rate and a simpler structure, businesses can focus on investments, R&D, and job creation that make market sense, rather than complying with political efforts to pick winners and losers.

Adds foreign tax deductibility

Twenty-one states allow deductions for foreign taxes paid, preventing double taxation (paying taxes on money already mailed to foreign taxing authorities).

Brackets de facto adjusted for inflation

Adjusting tax brackets for inflation prevents "bracket creep" whereby taxes go up just because income goes up, even if it is wiped out by increases in inflation.



Fiscal Fact

February 16, 2012
No. 292

Recommendations for North Dakota's Tax System

By
Mark Robyn

Introduction

At the request of the North Dakota Taxpayers Association, we offer a list of recommendations to improve North Dakota's business tax climate. The recommendations are derived from our *State Business Tax Climate Index*, which we produce annually to enable business leaders, government policymakers, and taxpayers to gauge how their states' tax systems compare according to the economic principles of simplicity, neutrality, and broad tax bases with low tax rates.

The states that score best in the *Index* are those that embrace the established tax reform approach of broadening the tax bases and lowering the tax rates. Reforms along those lines can of course affect revenue totals. While we recommended specific base-broadening changes, we have not included any specific corresponding rate reductions in the analysis, for two reasons. First, state revenue officials are better positioned than we are to estimate revenue effects. Second, North Dakotans must decide for themselves whether they want tax reform to raise the same amount of revenue or reduce revenue.

All *Index* rank changes listed in this analysis represent what the effect would have been had North Dakota had the relevant change in effect on July 1, 2011, the first day of the standard state fiscal year and the snapshot date for the 2012 *Index*. If all of the changes listed below had been in effect on July 1, 2011, North Dakota would have ranked fifth overall in the FY2012 edition of the *Index*, instead of 29th.

The following changes would broaden the state's tax bases and thus allow for lower tax rates without reducing tax revenue. These reduced tax rates (which are unspecified and therefore not reflected in the new rankings) could improve the state's score further and provide more flexibility to choose among our other recommendations without necessarily changing the state's final *Index* rank.

Corporate Income Tax

- Provide for unlimited business net operating loss (NOL) carry-backs of up to three years. About a quarter of states allow NOL carry-backs, with the maximum generally three years. Of those that allow it, most do not limit the amount that can be carried back.

Mark Robyn is an economist at the Tax Foundation.

- Broaden the corporate tax base by eliminating tax preferences such as investment credits, job credits, and research and development (R&D) credits.
- Eliminate the throwback rule. About half of states have no throwback rule.
- Adjust tax brackets for inflation to avoid automatic real corporate tax increases due to inflation.
- Currently, North Dakota requires taxpayers to make an addition to income if foreign taxes were deducted from income at the federal level. North Dakota should eliminate this provision, effectively allowing the deduction for foreign taxes paid. Twenty-one states allow the federal deduction to flow through to the state tax calculation.

Without any rate changes, the above corporate base changes would have been enough to improve North Dakota's rank to fourth, up from 21st place, in the corporate tax component of the *Index* had they been in effect on July 1, 2011. Reductions in corporate tax rates, potentially made revenue-neutral by the base-broadening mentioned, would further improve North Dakota's score, as would moving to a flat rate structure.

Individual Income Tax

- Utah and Indiana ranked 10th and 11th respectively. Each has a flat, one-rate individual income tax. If North Dakota emulated this model—for example, moving to a single 3.99 percent rate with an increased standard deduction and personal exemption (to a combined level of \$15,000 per spouse)—this would represent significant improvement. Had such a system been in effect on July 1, 2011, the state would have ranked 11th in the individual income tax *Index* component, up from 35th.
- Investment income is double taxed by the federal tax system, and states should avoid aggravating that distortion with further state taxes. If North Dakota eliminated income taxes on capital gains, interest, and dividend income, they would be the first state with an individual income tax to do so. This change, in addition to the rate change above, would have improved North Dakota's rank to eighth for the individual income tax component (again, up from 35th).

North Dakota should also consider broadening the income tax base by eliminating special credits and deductions. While North Dakota currently adopts federal itemized deductions by starting their calculation with federal taxable income, calculating state tax solely on the calculation of federal adjusted gross income (AGI) would greatly simplify the system, eliminate economic distortions, and allow the state to lower the statutory tax rate even further. Such a change would not directly impact the state's *Index* score (the *Index* focuses on business taxes), but the broader base would allow for further rate reductions that would improve the state's score.

Sales Tax

Retail sales taxes are meant to tax consumption. Business-to-business transactions are not consumption; purchases by end-users are consumption. We recommend eliminating the sales tax on all business-to-business transactions and taxing all final retail sales to end-users, including services.

The above sales tax recommendations, if they had been in effect on July 1, 2011, would have improved the state's rank to sixth best on the sales tax *Index* component, up from 15th, which would be the best of the states with a statewide sales tax. Expanding the sales tax base to consumer services would allow for a lower rate, which would improve the state's score further.

Unemployment Insurance (UI) Tax:

- Reduce the time period for new businesses to qualify for an experience rating from three years to one year.
- Do not charge employers for UI claims for separations that were beyond the employer's control (e.g. employee left voluntarily) or for employees who continue to work part-time.
- All state laws use a system of experience rating by which individual employers' contribution rates vary by some measure of the historical risk of unemployment. North Dakota should consider changing to an

experience rating formula for businesses that is based on statewide experience rather than the experience of each individual business. Unlike other formulas, a state experience formula (called a "benefit-wage-ratio formula" by U.S. Dept. of Labor) adjusts tax rates based on statewide conditions, rather than adjusting them based on each businesses' employment history. This is desirable because it avoids the "shut-down effect" where struggling businesses face increasing UI tax rates, making it harder for the business to survive and potentially hastening its failure.

These UI changes, if they had been in effect on July 1, 2011, would have improved North Dakota's rank on the unemployment insurance *Index* component to eighth place, up from 31st place.

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ABOUT THE TAX FOUNDATION

The Tax Foundation is a 501(c)(3) non-partisan, non-profit research institution founded in 1937 to educate taxpayers on sound tax policy. Based in Washington, D.C., the Foundation's economic and policy analysis is guided by the principles of sound tax policy: simplicity, neutrality, transparency, and stability.

About the Center for State Fiscal Policy at the Tax Foundation

The Tax Foundation's Center for State Fiscal Policy produces timely, high-quality, and user-friendly data and analysis for elected officials, national groups, state-based groups, grassroots activists, the media, business groups, students, and the public, thereby shaping the state policy debate toward simple, neutral, transparent, stable, and pro-growth tax policies.

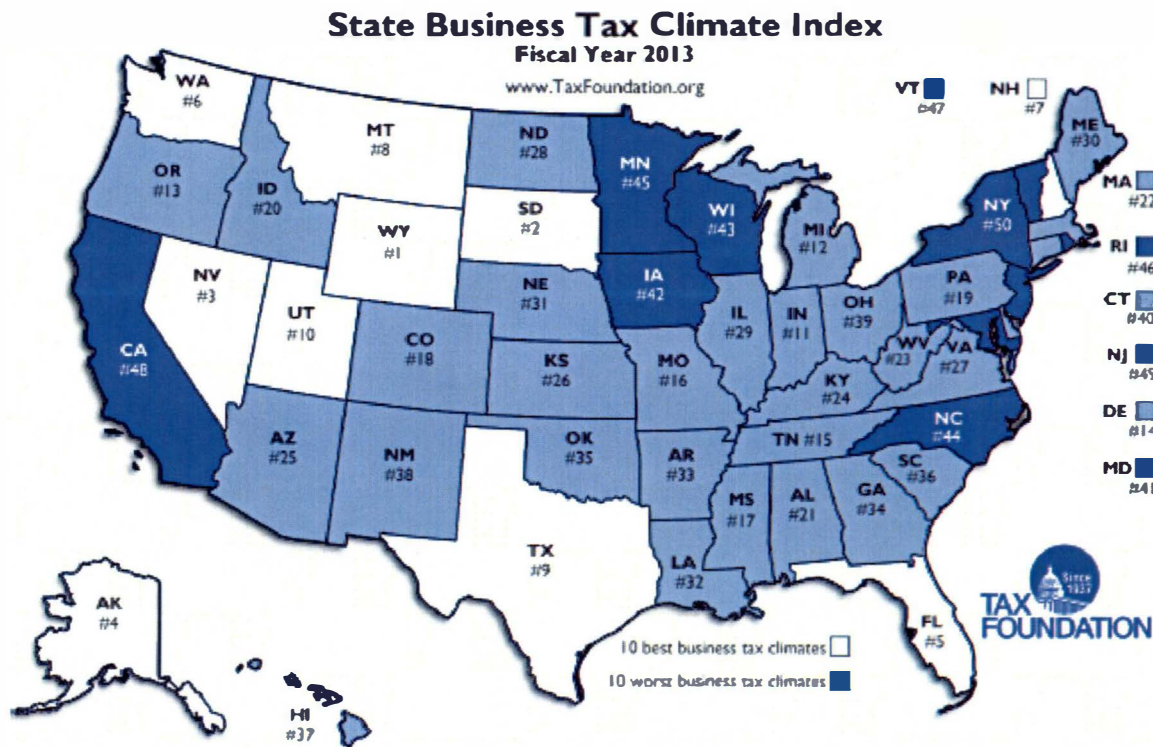


Table 1

2013 State Business Tax Climate Index Ranks and Component Tax Ranks

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

State Business Tax Climate Index, 2011 – 2013

State	2013		2012		2011		Change from 2012 to 2013	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Alabama	21	5.28	20	5.24	21	5.28	-1	+0.02
Alaska	4	7.34	4	7.37	3	7.44	0	-0.03
Arizona	25	5.13	27	5.11	28	5.14	+2	+0.02
Arkansas	33	4.90	31	4.94	32	4.94	-2	-0.04
California	48	3.67	48	3.68	49	3.58	0	-0.01
Colorado	18	5.37	18	5.41	17	5.51	-2	-0.04
Connecticut	40	4.47	40	4.53	40	4.47	0	-0.08
Delaware	14	5.74	12	5.75	12	5.78	-2	-0.01
Florida	5	6.88	5	6.90	5	6.84	0	-0.02
Georgia	34	4.88	34	4.92	35	4.83	0	-0.08
Hawaii	37	4.60	35	4.83	34	4.85	-2	-0.03
Idaho	20	5.28	21	5.23	22	5.21	+1	+0.05
Illinois	29	5.03	28	5.05	18	5.52	-1	-0.02
Indiana	11	5.95	11	5.95	11	5.99	0	0.00
Iowa	42	4.47	41	4.48	42	4.38	-1	-0.01
Kansas	26	5.10	25	5.13	25	5.14	-1	-0.03
Kentucky	24	5.15	22	5.20	24	5.17	-2	-0.05
Louisiana	32	4.91	32	4.93	31	4.94	0	-0.02
Maine	30	5.01	37	4.78	38	4.70	+7	+0.23
Maryland	41	4.47	42	4.43	43	4.22	+1	+0.04
Massachusetts	22	5.17	23	5.17	28	5.12	+1	0.00
Michigan	12	5.88	18	5.37	19	5.37	+6	+0.49
Minnesota	45	4.18	45	4.20	44	4.19	0	-0.02
Mississippi	17	5.37	17	5.39	18	5.39	0	-0.02
Missouri	16	5.48	15	5.48	14	5.64	-1	-0.02
Montana	8	6.22	8	6.25	7	6.30	0	-0.03
Nebraska	31	4.96	30	4.95	30	4.99	-1	+0.01
Nevada	3	7.45	3	7.45	4	7.42	0	0.00
New Hampshire	7	6.25	7	6.31	6	6.35	0	-0.08
New Jersey	49	3.40	50	3.43	50	3.44	+1	-0.03
New Mexico	38	4.71	38	4.72	37	4.76	0	-0.01
New York	50	3.40	49	3.57	48	3.59	-1	-0.17
North Carolina	44	4.21	44	4.22	46	4.08	0	-0.01
North Dakota	28	5.03	29	4.98	33	4.87	+1	+0.05
Ohio	39	4.55	39	4.57	39	4.54	0	-0.02
Oklahoma	35	4.85	33	4.92	29	5.05	-2	-0.07
Oregon	13	5.75	14	5.62	15	5.61	+1	+0.13
Pennsylvania	19	5.33	19	5.32	20	5.33	0	+0.01
Rhode Island	46	4.12	46	4.18	47	3.88	0	-0.08
South Carolina	36	4.81	36	4.82	36	4.77	0	-0.01
South Dakota	2	7.58	2	7.54	2	7.57	0	+0.02
Tennessee	15	5.67	13	5.69	13	5.72	-2	-0.02
Texas	9	6.09	9	6.09	9	6.12	0	0.00
Utah	10	6.04	10	6.05	10	6.09	0	-0.01
Vermont	47	4.08	47	4.10	45	4.17	0	-0.02
Virginia	27	5.09	28	5.12	23	5.20	-1	-0.03
Washington	8	6.38	8	6.38	8	6.20	0	+0.02
West Virginia	23	5.18	24	5.18	27	5.14	+1	0.00
Wisconsin	43	4.37	43	4.39	41	4.40	0	-0.02
Wyoming	1	7.88	1	7.87	1	7.63	0	-0.01
Dist. of Columbia	44	4.25	47	4.48	47	4.43	-3	-0.23

Corporate Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013		2012		Change from 2012 to 2013	
	Rank	Score	Rank	Score	Rank	Score
Alabama	17	5.33	16	5.40	-1	-0.07
Alaska	27	5.03	25	5.09	-2	-0.06
Arizona	24	5.18	26	5.03	+2	+0.15
Arkansas	37	4.68	36	4.74	-1	-0.06
California	45	4.37	43	4.43	-2	-0.06
Colorado	20	5.25	19	5.33	-1	-0.08
Connecticut	35	4.71	31	4.95	-4	-0.24
Delaware	50	3.14	50	3.16	0	-0.02
Florida	13	5.52	12	5.59	-1	-0.07
Georgia	9	5.81	9	5.89	0	-0.08
Hawaii	4	6.00	4	6.08	0	-0.08
Idaho	19	5.31	18	5.34	-1	-0.03
Illinois	47	4.02	45	4.08	-2	-0.06
Indiana	28	4.99	23	5.14	-5	-0.15
Iowa	49	3.74	48	3.79	-1	-0.05
Kansas	36	4.68	35	4.74	-1	-0.06
Kentucky	26	5.04	24	5.11	-2	-0.07
Louisiana	18	5.32	17	5.40	-1	-0.08
Maine	41	4.52	47	3.98	+6	+0.54
Maryland	15	5.47	14	5.54	-1	-0.07
Massachusetts	33	4.78	34	4.79	+1	-0.01
Michigan	7	5.85	49	3.36	+42	+2.49
Minnesota	44	4.41	42	4.47	-2	-0.06
Mississippi	11	5.71	11	5.79	0	-0.08
Missouri	8	5.84	8	5.92	0	-0.08
Montana	16	5.46	15	5.54	-1	-0.08
Nebraska	34	4.75	33	4.82	-1	-0.07
Nevada	1	10.00	1	10.00	0	0.00
New Hampshire	48	3.97	46	4.03	-2	-0.06
New Jersey	40	4.53	39	4.59	-1	-0.06
New Mexico	39	4.54	38	4.61	-1	-0.07
New York	23	5.19	22	5.26	-1	-0.07
North Carolina	29	4.98	27	5.03	-2	-0.07
North Dakota	21	5.24	20	5.31	-1	-0.07
Ohio	22	5.20	21	5.27	-1	-0.07
Oklahoma	12	5.84	7	5.92	-5	-0.28
Oregon	31	4.91	30	4.97	-1	-0.06
Pennsylvania	46	4.32	44	4.38	-2	-0.06
Rhode Island	42	4.50	40	4.56	-2	-0.06
South Carolina	10	5.74	10	5.82	0	-0.08
South Dakota	1	10.00	1	10.00	0	0.00
Tennessee	14	5.50	13	5.57	-1	-0.07
Texas	38	4.61	37	4.68	-1	-0.07
Utah	5	5.98	5	6.06	0	-0.08
Vermont	43	4.50	41	4.56	-2	-0.06
Virginia	6	5.90	6	5.98	0	-0.08
Washington	30	4.93	29	5.00	-1	-0.07
West Virginia	25	5.12	28	5.02	+3	+0.10
Wisconsin	32	4.81	32	4.88	0	-0.07
Wyoming	1	10.00	1	10.00	0	0.00
Dist. of Columbia	35	4.72	34	4.79	-1	-0.07

Individual Income Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013		2012		Change from 2012 to 2013	
	Rank	Score	Rank	Score	Rank	Score
Alabama	18	5.61	18	5.63	0	-0.02
Alaska	1	10.00	1	10.00	0	0.00
Arizona	17	5.72	17	5.74	0	-0.02
Arkansas	28	5.22	27	5.23	-1	-0.01
California	49	1.61	50	1.62	+1	-0.01
Colorado	16	6.63	16	6.65	0	-0.02
Connecticut	31	4.79	31	4.80	0	-0.01
Delaware	29	5.18	28	5.20	-1	-0.02
Florida	1	10.00	1	10.00	0	0.00
Georgia	40	3.94	40	3.95	0	-0.01
Hawaii	41	3.87	41	3.88	0	-0.01
Idaho	23	5.38	26	5.24	+3	+0.14
Illinois	13	6.82	13	6.84	0	-0.02
Indiana	10	7.05	10	7.06	0	-0.01
Iowa	33	4.56	32	4.57	-1	-0.01
Kansas	21	5.50	21	5.51	0	-0.01
Kentucky	26	5.28	25	5.29	-1	-0.01
Louisiana	25	5.30	24	5.32	-1	-0.02
Maine	27	5.22	30	4.98	+3	+0.24
Maryland	45	3.27	46	3.07	+1	+0.20
Massachusetts	15	6.74	15	6.75	0	-0.01
Michigan	11	6.96	11	6.98	0	-0.02
Minnesota	44	3.50	44	3.51	0	-0.01
Mississippi	19	5.61	19	5.62	0	-0.01
Missouri	24	5.30	23	5.32	-1	-0.02
Montana	20	5.50	20	5.51	0	-0.01
Nebraska	30	5.16	29	5.17	-1	-0.01
Nevada	1	10.00	1	10.00	0	0.00
New Hampshire	9	7.50	9	7.52	0	-0.02
New Jersey	48	2.39	48	2.39	0	0.00
New Mexico	34	4.32	33	4.33	-1	-0.01
New York	50	1.50	49	2.03	-1	-0.53
North Carolina	43	3.59	43	3.60	0	-0.01
North Dakota	35	4.18	35	4.20	0	-0.02
Ohio	42	3.62	42	3.63	0	-0.01
Oklahoma	36	4.09	38	4.04	+2	+0.05
Oregon	32	4.76	34	4.31	+2	+0.45
Pennsylvania	12	6.91	12	6.92	0	-0.01
Rhode Island	37	4.09	36	4.11	-1	-0.02
South Carolina	39	3.95	39	3.96	0	-0.01
South Dakota	1	10.00	1	10.00	0	0.00
Tennessee	8	7.98	8	8.00	0	-0.02
Texas	7	8.89	7	8.91	0	-0.02
Utah	14	6.80	14	6.82	0	-0.02
Vermont	47	3.01	47	3.03	0	-0.02
Virginia	38	4.08	37	4.09	-1	-0.01
Washington	1	10.00	1	10.00	0	0.00
West Virginia	22	5.39	22	5.41	0	-0.02
Wisconsin	46	3.23	45	3.25	-1	-0.02
Wyoming	1	10.00	1	10.00	0	0.00
Dist. of Columbia	36	4.15	31	4.80	-5	-0.65

Sales Tax Component of the State Business Tax Climate Index, 2012 – 2013

State	2013		2012		Change from 2012 to 2013	
	Rank	Score	Rank	Score	Rank	Score
Alabama	37	4.12	41	3.98	+4	+0.14
Alaska	5	7.86	5	7.91	0	-0.05
Arizona	50	2.80	50	2.80	0	0.00
Arkansas	41	4.05	37	4.12	-4	-0.07
California	40	4.06	40	4.04	0	+0.02
Colorado	44	3.66	44	3.55	0	+0.11
Connecticut	30	4.63	30	4.65	0	-0.02
Delaware	2	8.94	2	8.97	0	-0.03
Florida	18	5.06	19	5.04	+1	+0.02
Georgia	13	5.35	12	5.38	-1	-0.03
Hawaii	31	4.63	31	4.63	0	0.00
Idaho	23	4.93	23	4.92	0	+0.01
Illinois	34	4.41	33	4.45	-1	-0.04
Indiana	11	5.43	11	5.42	0	+0.01
Iowa	24	4.68	25	4.68	+1	0.00
Kansas	32	4.62	32	4.62	0	0.00
Kentucky	9	5.67	8	5.72	-1	-0.05
Louisiana	49	3.15	49	3.15	0	0.00
Maine	10	5.66	10	5.64	0	+0.02
Maryland	8	5.71	9	5.71	+1	0.00
Massachusetts	17	5.07	17	5.07	0	0.00
Michigan	7	5.73	7	5.74	0	-0.01
Minnesota	35	4.25	36	4.20	+1	+0.05
Mississippi	28	4.71	28	4.71	0	0.00
Missouri	27	4.72	26	4.77	-1	-0.05
Montana	3	8.79	3	8.82	0	-0.03
Nebraska	26	4.73	27	4.72	+1	+0.01
Nevada	42	3.98	42	3.96	0	+0.02
New Hampshire	1	8.98	1	9.02	0	-0.04
New Jersey	46	3.44	46	3.44	0	0.00
New Mexico	45	3.50	45	3.50	0	0.00
New York	38	4.09	38	4.10	0	-0.01
North Carolina	47	3.37	47	3.39	0	-0.02
North Dakota	16	5.09	15	5.11	-1	-0.02
Ohio	29	4.69	29	4.69	0	0.00
Oklahoma	39	4.07	39	4.09	0	-0.02
Oregon	4	8.66	4	8.68	0	-0.02
Pennsylvania	20	5.02	21	4.99	+1	+0.03
Rhode Island	25	4.82	24	4.88	-1	-0.06
South Carolina	21	5.00	20	5.00	-1	0.00
South Dakota	33	4.44	34	4.44	+1	0.00
Tennessee	43	3.69	43	3.70	0	-0.01
Texas	36	4.22	35	4.22	-1	0.00
Utah	22	4.98	22	4.98	0	0.00
Vermont	14	5.22	14	5.20	0	+0.02
Virginia	6	6.20	6	6.21	0	-0.01
Washington	48	3.34	48	3.33	0	0.01
West Virginia	19	5.03	18	5.04	-1	-0.01
Wisconsin	15	5.11	16	5.08	+1	+0.03
Wyoming	12	5.43	13	5.36	+1	+0.07
Dist. of Columbia	42	4.00	41	3.99	-1	+0.01

*Unemployment Insurance Tax Component of the State Business Tax
Climate Index, 2012 – 2013*

State	2013		2012		Change from 2012 to 2013	
	Rank	Score	Rank	Score	Rank	Score
Alabama	13	5.63	11	5.62	-2	+0.01
Alaska	28	4.82	28	4.90	0	-0.08
Arizona	1	6.28	1	6.39	0	-0.11
Arkansas	19	5.37	17	5.43	-2	-0.06
California	16	5.53	13	5.54	-3	-0.01
Colorado	39	4.64	23	5.09	-16	-0.45
Connecticut	31	4.79	32	4.81	+1	-0.02
Delaware	3	6.12	3	6.16	0	-0.04
Florida	10	5.77	5	5.92	-5	-0.15
Georgia	25	4.92	22	5.11	-3	-0.19
Hawaii	30	4.79	30	4.87	0	-0.08
Idaho	47	3.83	48	3.83	+1	0.00
Illinois	43	4.23	43	4.22	0	+0.01
Indiana	11	5.73	16	5.51	+5	+0.22
Iowa	34	4.70	35	4.68	+1	+0.02
Kansas	9	5.78	6	5.91	-3	-0.13
Kentucky	48	3.67	47	3.83	-1	-0.16
Louisiana	4	5.97	4	5.94	0	+0.03
Maine	32	4.75	40	4.50	+8	+0.25
Maryland	46	4.02	45	4.06	-1	-0.04
Massachusetts	49	3.35	49	3.36	0	-0.01
Michigan	44	4.11	44	4.15	0	-0.04
Minnesota	40	4.54	34	4.69	-6	-0.15
Mississippi	7	5.81	8	5.83	+1	-0.02
Missouri	6	5.91	9	5.79	+3	+0.12
Montana	21	5.20	20	5.19	-1	+0.01
Nebraska	8	5.79	12	5.60	+4	+0.19
Nevada	41	4.47	42	4.44	+1	+0.03
New Hampshire	42	4.23	39	4.53	-3	-0.30
New Jersey	24	4.94	25	4.99	+1	-0.05
New Mexico	15	5.56	14	5.53	-1	+0.03
New York	45	4.07	46	3.86	1	+0.21
North Carolina	5	5.95	7	5.87	+2	+0.08
North Dakota	17	5.52	31	4.82	+14	+0.70
Ohio	12	5.64	10	5.66	-2	-0.02
Oklahoma	2	6.17	2	6.37	0	-0.20
Oregon	37	4.67	33	4.69	-4	-0.02
Pennsylvania	36	4.67	37	4.64	1	+0.03
Rhode Island	50	2.83	50	3.02	0	-0.19
South Carolina	33	4.74	38	4.56	+5	+0.18
South Dakota	35	4.70	41	4.44	+6	+0.26
Tennessee	26	4.92	27	4.91	+1	+0.01
Texas	14	5.63	15	5.53	+1	+0.10
Utah	20	5.21	24	5.05	+4	+0.16
Vermont	22	5.19	19	5.25	-3	-0.06
Virginia	38	4.65	36	4.67	-2	-0.02
Washington	18	5.41	18	5.29	0	+0.12
West Virginia	27	4.87	26	4.96	-1	-0.09
Wisconsin	23	5.13	21	5.12	-2	0.01
Wyoming	29	4.80	29	4.89	0	-0.09
Dist. of Columbia	24	5.03	24	5.05	0	-0.02