



**REVISED & EXPANDED**

**SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S**

**SMALL BUSINESS SURVIVAL INDEX 2005:**

**RANKING THE POLICY ENVIRONMENT FOR ENTREPRENEURSHIP  
ACROSS THE NATION**

*10<sup>th</sup> Annual Edition*

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## Small Business Survival Index 2005: State Rankings\*

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

Rank	State	SBSI	Rank	State	SBSI
1	South Dakota	24.280	27	Wisconsin	47.539
2	Nevada	27.080	28	Kentucky	47.605
3	Wyoming	33.360	29	Oklahoma	48.110
4	Washington	37.430	30	Utah	48.515
5	Michigan	37.490	31	Kansas	50.000
6	Florida	38.525	32	Nebraska	50.493
7	Mississippi	38.970	33	New Mexico	50.620
8	Alabama	39.465	34	West Virginia	50.805
9	Indiana	40.140	35	Louisiana	51.550
10	Colorado	41.190	36	Connecticut	51.830
11	Texas	41.210	37	Oregon	52.980
12	South Carolina	41.790	38	Montana	53.448
13	Virginia	41.885	39	North Carolina	53.851
14	Pennsylvania	42.261	40	Ohio	54.210
15	Tennessee	43.090	41	Iowa	54.317
16	Arkansas	43.832	42	Massachusetts	54.765
17	Arizona	44.238	43	Vermont	56.720
18	Missouri	44.976	44	New York	58.191
19	Idaho	45.020	45	New Jersey	58.905
20	New Hampshire	45.030	46	Hawaii	60.300
21	Alaska	45.140	47	Minnesota	60.360
22	Georgia	45.555	48	Rhode Island	60.390
23	Illinois	45.730	49	Maine	61.069
24	Delaware	45.830	50	California	62.520
25	Maryland	46.445	51	Dist. of Columbia	73.330
26	North Dakota	46.690			

\* (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.'s last place score actually is underestimated.)

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## **Introduction: The Hows and Whys of the Index**

While practically all elected officials declare their concern and affection for entrepreneurs and small businesses, those feelings sometimes fail to carry through in terms of actual policy.

Some politicians recognize that the policies they implement have an impact on economic decision-making. Others simply choose to ignore or are ignorant of those effects. Another group simply denies that public policy has much of an influence on entrepreneurship and small business. This last group assumes that no matter how costly the tax and regulatory climate imposed, small business will just keep chugging along largely unaffected. This, of course, denies economic common sense and history.

But why should politicians and voters in general be worried about how public policies impact entrepreneurs and small businesses? Consider a few data items gathered by the U.S. Small Business Administration's Office of Advocacy ("Frequently Asked Questions," October 2005).

- First, most businesses are small businesses. The federal government defines small businesses as firms with fewer than 500 employees. By that definition, 99.9% of the 24.7 million estimated businesses in the U.S. in 2004 were small businesses.
- Second, the importance of small businesses when it comes to jobs should not be underestimated. For example, small businesses employ half of all private sector workers, and account for 45 percent of U.S. private payroll. Also, these businesses employ 41 percent of all high-tech workers. Perhaps most important, small enterprises created between 60 percent and 80 percent of net new jobs annually over the last decade.
- Third, small firms create more than 50 percent of nonfarm private GDP.
- Fourth, small enterprises produce 13 to 14 times more patents per employee than large firms, and those patents are twice as likely to rank among the one percent most cited patents.
- Fifth, the international marketplace turns out not to be the exclusive domain of very large firms, as so many people seem to assume. Instead, 97 percent of exporters are small businesses, along with 26 percent of export value coming from small enterprises.

To sum up, small enterprises dominate the business landscape, create the bulk of new jobs, are a key source of economic growth and innovation, and play a large role in international trade. Therefore, ignoring, denying or misunderstanding the critical economic role played by entrepreneurs and small businesses works to the detriment of all.

However, it's not just federal policies that matter. State and local public policy most certainly does as well. The Small Business Survival Index ranks the 50 states and District of Columbia according to some of the major government-imposed or government-related costs impacting investment, entrepreneurship, and business.

This tenth annual Small Business Survival Index ties together 26 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 impacting crucial economic decisions and activities. In fact, the personal income tax impacts business far more than generally assumed because roughly 90 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 Survival Index: state's top personal income tax rate.<sup>1</sup>*

- **Capital Gains Tax.** One of the biggest obstacles that start-up or expanding businesses face is access to capital. State capital gains taxes, therefore, matter a great deal by directly impacting the rate of return on investment and entrepreneurship. Indeed, 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 either restrain or redirect risk taking.

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

- **Corporate Income Tax.** State corporate income tax rates affect a broad range of business decisions — most clearly decisions relating to investment and location – and obviously hit the bottom line.

*Measurement in the Small Business Survival Index: state's top corporate income tax rate.<sup>3</sup>*

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<sup>1</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*, National Conference of State Legislators, the Federation of Tax Administrators ([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.

<sup>2</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*, National Conference of State Legislators, the Federation of Tax Administrators ([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.

• **Additional Income Tax on S-Corporations.** Subchapter S Corporations 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 S Corporations, but a few either tax such businesses like other corporations or impose some kind of added tax. Such an additional income tax, again, raises costs, restrains investment, and hurts the state's competitiveness.

*Measurement in the Small Business Survival Index: additional income tax imposed on S-Corporations beyond the top personal income tax rate.<sup>4</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 Survival 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>5</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 Survival 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>6</sup>*

• **Indexing Personal Income Tax Rates.** Indexing income tax rates for inflation is a positive tax measure, which ensures that inflation does not push individuals into higher tax brackets. Without such indexation, one can be pushed into a higher tax bracket without any increases in real income.

*Measurement in the Small Business Survival 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>7</sup>*

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<sup>3</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*, National Conference of State Legislators, the Federation of Tax Administrators ([www.taxadmin.org](http://www.taxadmin.org)), and state specific sources. Note: Corporate income tax rates reflect deductibility of federal income taxes in certain states.

<sup>4</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*, and state specific sources.

<sup>5</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*.

<sup>6</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*.

<sup>7</sup> Data Source: The Federation of Tax Administrators website at [www.taxadmin.org](http://www.taxadmin.org).

• **Property Taxes.** Property taxes impact decisions as to where businesses and entrepreneurs choose to locate, as well as decisions relating to investments in business facilities and homes.

*Measurement in the Small Business Survival Index: state and local property taxes (property taxes as a share of personal income).<sup>8</sup>*

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

*Measurement in the Small Business Survival Index: state and local sales, gross receipts and excise taxes (sales, gross receipts and excise taxes [less revenues from gas taxes, since gas tax rates are singled out in the Index] as a share of personal income).<sup>9</sup>*

• **Death Taxes.** The federal government is in the midst of phasing out the federal death tax. At the state level, some states are tied to the federal levy, and therefore are following the lead to eventually end the estate tax (under current law, the federal estate tax will be eliminated in 2010, but it then reappears in 2011). However, other states have imposed additional estate or inheritance taxes, or have de-linked from the federal levy. Death taxes have several problems. First, there is fairness. Individuals pay a staggering array of taxes, including on business earnings, over a lifetime, but then are socked with another tax on the total assets of the firm at the time of an owner's death. High state death taxes offer a clear incentive 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 Survival Index: state death taxes (states levying estate or inheritance taxes beyond the federal pick-up tax receive a score of "1" and states that do not receive a score of "0").<sup>10</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.

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<sup>8</sup> 2001-02 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>9</sup> 2001-02 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>10</sup> Data Source: CCH Incorporated, *2005 State Tax Handbook*, "CCH Financial Planning Toolkit" at [www.finance.cch.com](http://www.finance.cch.com), and "Estates of Pain," *The Wall Street Journal*, August 1, 2005.

*Measurement in the Small Business Survival Index: unemployment tax rate is adjusted as follows: maximum state tax rate applied to state wage base as a share of state average pay.<sup>11</sup>*

• **Health Care Regulation: Guaranteed Issue for Small Groups.** Health insurance represents a significant cost for businesses. Taxes, mandates and regulations increase health-care costs, increase the number of uninsured, and act as another disincentive to starting up or locating a business in a high-cost state. Guaranteed issue means that individuals may not be turned down for health insurance coverage no matter the condition of their health or risk status. So, incentives for people to purchase health insurance before they become ill are removed.

*Measurement in the Small Business Survival Index: state mandate for guaranteed issue in the small group market (state imposing guaranteed issue gets a score of “1” and states not imposing gets a score of “0”).<sup>12</sup>*

• **Health Care Regulation: Guaranteed Issue for Self-Employed Group of One.** Again, the guaranteed issue mandate raises health care costs, in this case for the self-employed.

*Measurement in the Small Business Survival Index: state mandate for guaranteed issue in the self-employed group of one market (state imposing guaranteed issue gets a score of “1” and states not imposing gets a score of “0”).<sup>13</sup>*

• **Health Care Regulation: Community Rating.** Community rating mandates that an insurer charge the same price for everyone in a defined region regardless their varying health care risks. So, no matter what the risks involved, everybody pays the same price for insurance. That translates into higher costs across the board.

*Measurement in the Small Business Survival Index: state mandate for community rating in the small group market (state imposing rate bands gets a score of “0.33”; state imposing adjusted community rating gets a score of “0.66”; state imposing pure community rating gets a score of “1”; and a state not imposing community rating gets a score of “0”).<sup>14</sup>*

• **Health Care Regulation: Number of Mandates.** Beyond regulations like guaranteed issue and community rating, state laws impose a host of mandated benefits on insurers. These mandates, while often sounding reasonable, carry real and sometimes significant costs. Health care mandates are easy to impose, as politicians take credit for expanded benefits while denying the related costs.

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<sup>11</sup> Data Source: Latest data on 2005 maximum rates and taxable wage base from “CCH Business Owner’s Toolkit” at [www.toolkit.cch.com](http://www.toolkit.cch.com), and 2004 average wages (based on the fourth quarter of 2004) from the U.S. Department of Labor.

<sup>12</sup> Data source: “Small Group Health Insurance Market Guaranteed Issue 2005” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.kff.org](http://www.statehealthfacts.kff.org).

<sup>13</sup> Data source: “Small Group Health Insurance Market Guaranteed Issue 2005” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.kff.org](http://www.statehealthfacts.kff.org).

<sup>14</sup> Data source: “Small Group Health Insurance Market Guaranteed Issue 2005” from the Henry J. Kaiser Family Foundation at [www.statehealthfacts.kff.org](http://www.statehealthfacts.kff.org).



*Measurement in the Small Business Survival Index: number of mandates imposed (state gets a score of 0.05 for each mandate imposed out of a total of 100 possible mandated benefits).<sup>15</sup>*

• **Electricity Costs.** Every business uses electricity, and for some, electricity costs rank among the highest expenses. High electricity rates due to hefty taxes and heavy-handed, misguided regulations can play a significant part in business decision-making.

*Measurement in the Small Business Survival Index: state's electricity cost index (index of state's average revenue per kilowatthour for electricity utilities).<sup>16</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 Survival Index: index of state average workers' compensation premiums.<sup>17</sup>*

• **Total Crime Rate.** Just like taxes, a high crime rate acts as a disincentive to entrepreneurs. 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 Survival Index: state's crime rate per 100 residents.<sup>18</sup>*

• **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 in the state, which translates into an amenable environment for increased productivity and improved efficiency.

*Measurement in the Small Business Survival 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>19</sup>*

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<sup>15</sup> Data source: "Health Insurance Mandates in the States 2005," prepared by Victoria Craig Bunce and JP Wieske, Council for Affordable Health Insurance, January 2005.

<sup>16</sup> Data Source: Data for January to May 2005 from the U.S. Energy Information Administration, *Electric Power Monthly*, August 2005.

<sup>17</sup> Data Source: 2004 data from "2004 Oregon Workers' Compensation Premium, Rate Ranking Summary" compiled and published by the Oregon Department of Consumer & Business Services, December 2004.

<sup>18</sup> Data Source: 2003 data from the U.S. Federal Bureau of Investigation, *Crime in the United States 2003*.

<sup>19</sup> Data Source: National Right to Work Legal Defense Foundation.

• **Number of Bureaucrats.** 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—or bureaucrats. 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 are basically performing far less productive work than if they were in the private sector.

*Measurement in the Small Business Survival Index: state and local government bureaucrats (full-time equivalent employees per 100 residents).*<sup>20</sup>

• **Tax Limitation States.** Requiring supermajority votes, whether for elected officials or voters in general, in order to increase or impose taxes, serves as a solid check on the growth of taxes and government in general. According to Americans for Tax Reform, both taxes and spending do in fact grow more slowly in supermajority states, and economies expand faster in such states as well.

*Measurement in the Small Business Survival Index: tax limitation status (states without some form of supermajority tax limitation receive a score of “1,” and states with some supermajority tax limitation receive a score of “0”).*<sup>21</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.

*Measurement in the Small Business Survival Index: Internet access tax (states without such a sales access tax score “0,” and states with such taxes score “1”).*<sup>22</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 Survival Index: state gas tax (dollars per gallon).*<sup>23</sup>

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<sup>20</sup> Data Source: 2004 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

<sup>21</sup> Source: National Conference of State Legislatures, “State Tax and Expenditure Limits – 2005.”

<sup>22</sup> Steven Maguire and Nonna Noto, “Internet Taxation: Issues and Legislation in the 108<sup>th</sup> Congress,” CRS Report for Congress, May 4, 2004.

<sup>23</sup> Data Source: “State Motor Fuel Excise Tax Rates,” July 1, 2005, American Petroleum Institute.

• **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. Some states actually impose a state minimum wage that is higher than the federal minimum wage.

*Measurement in the Small Business Survival Index: state minimum wage minus the federal minimum wage.*<sup>24</sup>

• **State Legal 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. (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.’s last place score on the Small Business Survival Index actually is underestimated.)

*Measurement in the Small Business Survival Index: state liability score (mean grades based on survey of corporations to assess the fairness and reasonableness of state liability systems in eight key areas).*<sup>25</sup>

• **Regulatory Flexibility Status.** The SBA’s Office of Advocacy has 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 Survival 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>26</sup>

So, each of the 26 measures included in this year’s Small Business Survival Index is buttressed by economic fundamentals. That is, the inclusion of each measure meets a basic economic common sense test. For good measure, a wide body of economic analysis further backs up this economic common sense.

Consider just a few findings that show quite clearly why various measures are included in the Small Business Survival Index.

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<sup>24</sup> Data Source: U.S. Department of Labor, “Minimum Wage Laws in the States – August 1, 2005,” [www.dol.gov](http://www.dol.gov).

<sup>25</sup> Data Source: Harris Interactive, “2005 U.S. Chamber of Commerce State Liability Systems Ranking Study,” U.S. Chamber Institute for Legal Reform. Note: This study did not include the District of Columbia, so D.C.’s score on the Index is underestimated.

<sup>26</sup> Source: U.S. Small Business Administration, Office of Advocacy, “State Regulatory Flexibility Model Legislative Initiative,” September 2005.

## On Taxes

- A March 2005 study, commissioned by the U.S. Small Business Administration'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.
- 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>27</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:

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<sup>27</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.

→ “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 groups 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.

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>28</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. On September 19, 2005, the U.S. Small Business Administration's Office of Advocacy published a new study estimating the costs of complying with federal regulations. The study – "The Impact of Regulatory Costs on Small Firms" by W. Mark Crain from Lafayette College – provides details regarding how the burdens of federal regulatory costs fall, such as:

→ The per employee costs of federal regulations registered \$5,633 in 2004. However, that burden was not evenly distributed. For firms with less than 20 employees, the cost registered \$7,647, which was 41% higher than the \$5,411 per

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<sup>28</sup> Zsolt Becsi, "Do State and Local Taxes Affect Relative State Economic Growth?" *Economic Review*, Federal Reserve bank of Atlanta, March-April 1996.

employee cost for firms with 20-499 employees, and 45% higher than the \$5,282 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 \$3,296, which topped the \$1,040 cost for firms with 20-499 employees by 217% and the \$710 cost for businesses with 500 or more workers by 364%. In terms of tax compliance, the \$1,304 per employee costs for businesses with fewer than 20 employees exceeded the \$948 per employee cost for firms with 20-499 employees by 38% and the \$780 per employee costs for firms with 500 or more workers by 67%.

→ Small manufacturers got hit particularly hard. Cain reports: “The compliance cost per employee for small manufacturers is at least double the compliance cost for medium-sized and large firms.” Per employee regulatory costs for manufacturers with fewer than 20 employees came in at \$21,919, which was 118% higher than the \$10,042 for manufacturers with 20-499 employees and 151% more than the burden on companies with 500 or more employees. Again, serious cost differentials came in the areas of environmental and tax compliance regulation. Regarding environmental regulation, per employee costs for manufacturers with fewer than 20 employees came in at \$15,747, which topped the \$4,970 for firms with 20-499 employees by 217% and exceeded the \$3,391 for firms with 500 or more workers by 364%. On the tax compliance issue, manufacturers with less than 20 workers faced per employee costs of \$2,582. That was 151% higher than for manufacturers with 20-499 employees (\$1,030 per employee), and 237% higher than for manufacturers with 500 or more employees (\$767 per employee).

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 safe and 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.

### **On Health Care Regulations**

- The Council for Affordable Health Insurance reported in “Health Insurance Mandates in the States 2005” that “mandated benefits currently increase the cost of basic health coverage from a little less than 20% to more than 50%, depending on the state.” It also was noted in that report: “According to the 1999 study ‘Mandated Benefit Laws and Employer Sponsored Health Insurance,’ by economists Gail Jensen and Michael Morrissey for the Health Insurance Association of America (HIAA), as many as one in four individuals who are without coverage are uninsured because of the cost of state health insurance mandates.”

- An econometric analysis released earlier this year, written by William J. Congdon, Amanda Kowalski and Mark H. Showalter, was titled “State Health Insurance Regulations and the Price of High-Deductible Policies.” The report looked at the impact of service and provider mandates, any-willing provider regulations, community rating, and guaranteed issue on family and individual policies with high deductibles in the non-group market in 42 states. The findings included:

- A strong statistical relationship exists between regulation and insurance prices. Specifically, “the presence of regulations tends to be associated with less generous insurance (higher coinsurance rates, higher deductibles, higher stoploss limits) as well as higher prices.”

- Each mandate raises “the price of an individual policy by about 0.4 percent; for a family policy, it increases by about 0.5 percent.”

- Community rating raises “the price of an individual policy by 20.3 percent. It raises the price of a family policy by 27.3 percent.”

- Guaranteed issue raises “the price of an individual policy by 114.5 percent. For family policies, the price increase is 94.2 percent.”

### **On the Minimum Wage**

- *The Wall Street Journal* (“Job Slayers,” August 29, 2005), recently 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.”

- Consider the findings of a September 2005 analysis from the Employment Policies Institute and the Commonwealth Foundation for Policy Alternatives of a proposed increase in the minimum wage in Pennsylvania – from \$5.15 to \$6.75 in January 2006, then to \$7.15 in 2007, and indexed to inflation starting in January 2008. The study concluded that more than 10,000 jobs would be lost – with more than half falling on those under 25 years of age – and the Pennsylvania economy would get hit with costs of \$350 million -- \$262.7 million in higher labor costs for business and \$86.7 million in lost income due to the job losses.



## **On Workers' Compensation Costs**

• 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.”

## **Tallying Up the Index**

So, as it turns out, taxes and regulations matter a great deal to entrepreneurs, small businesses and the economy in general. Such an outcome is probably surprising only to the politicians who continue to believe the fiction that they can raise taxes and impose costly regulations and mandates with impunity. The Small Business Survival Index is meant to drive home the point 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 Survival Index score is tallied, the 26 measures explained above are simply added together (for example, as was the case with the old “misery index”) 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 Survival Index manages to capture much of the governmental burdens impacting critical economic decisions—particularly affecting investment and entrepreneurship—state by state. Under the Small Business Survival Index, the lower the index number, the lighter the governmental burdens, and the better the environment for entrepreneurship.

The Small Business Survival 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 Small Business Survival Index number, the greater the incentives to invest and take risks in that particular state.

(Please note that the 2005 Small Business Survival Index cannot be directly compared to editions from previous years as the Index has been revised and expanded each year.)

## State Rankings and Summary of Findings

Following are the state rankings (from friendliest to least friendly) for the Small Business Survival Index 2005:

### Small Business Survival Index 2005: State Rankings

Rank	State	SBSI	Rank	State	SBSI
1	South Dakota	24.280	27	Wisconsin	47.539
2	Nevada	27.080	28	Kentucky	47.605
3	Wyoming	33.360	29	Oklahoma	48.110
4	Washington	37.430	30	Utah	48.515
5	Michigan	37.490	31	Kansas	50.000
6	Florida	38.525	32	Nebraska	50.493
7	Mississippi	38.970	33	New Mexico	50.620
8	Alabama	39.465	34	West Virginia	50.805
9	Indiana	40.140	35	Louisiana	51.550
10	Colorado	41.190	36	Connecticut	51.830
11	Texas	41.210	37	Oregon	52.980
12	South Carolina	41.790	38	Montana	53.448
13	Virginia	41.885	39	North Carolina	53.851
14	Pennsylvania	42.261	40	Ohio	54.210
15	Tennessee	43.090	41	Iowa	54.317
16	Arkansas	43.832	42	Massachusetts	54.765
17	Arizona	44.238	43	Vermont	56.720
18	Missouri	44.976	44	New York	58.191
19	Idaho	45.020	45	New Jersey	58.905
20	New Hampshire	45.030	46	Hawaii	60.300
21	Alaska	45.140	47	Minnesota	60.360
22	Georgia	45.555	48	Rhode Island	60.390
23	Illinois	45.730	49	Maine	61.069
24	Delaware	45.830	50	California	62.520
25	Maryland	46.445	51	Dist. of Columbia	73.330
26	North Dakota	46.690			

\* (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.'s last place score actually is underestimated.)

Starting up, owning and operating a business is a risky venture. But those individuals willing to take such risks, by making investments of resources, time and energy, spur the economy forward. Indeed, entrepreneurship and investment serve as the economy's lifeblood. Of course, most politicians claim to support small business, but their actions speak far louder than any political speeches ever could.

In terms of their policy environments, the most entrepreneur-friendly states under the Small Business Survival Index 2005 are: 1) South Dakota, 2) Nevada, 3) Wyoming, 4) Washington, 5) Michigan, 6) Florida, 7) Mississippi, 8) Alabama, 9) Indiana, 10) Colorado, 11) Texas, 12) South Carolina, 13) Virginia, 14) Pennsylvania, and 15) Tennessee. In contrast, the most anti-entrepreneur policy environments are offered by the following: 37) Oregon, 38) Montana, 39) North Carolina, 40) Ohio, 41) Iowa, 42) Massachusetts, 43) Vermont, 44) New York, 45) New Jersey, 46) Hawaii, 47) Minnesota, 48) Rhode Island, 49) Maine, 50) California and 51) District of Columbia. (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.'s last place score actually is underestimated.)

### **Where the People and the Jobs Are Trending**

Again, it needs to be recognized that countless issues factor into human decision-making. The impact of public policy often is a key factor, as explained earlier and illustrated by a wide array of evidence. The relative governmental costs among the states will impact where people live and work. That most certainly is illustrated by where people are moving and where jobs are being created. Consider some key, additional findings that reflect the differences found among the states in the Small Business Survival Index.

- A major difference certainly exists when you look at population growth. From 2000-2004, for example, population growth in the worst 26 states (including the District of Columbia) on the Index was 3.4 percent. Meanwhile, total population growth for the best 25 states was 5.3 percent. That means the top 25 states grew at a 56 percent faster pace than the bottom 25 states plus the District of Columbia from 2000 to 2004.
- Equally interesting is net domestic or internal migration, that is, movement of people between the states. From 2000 to 2004, the top 25 states on the Small Business Survival Index netted a 1.64 million increase in population at the expense of the bottom 25 states plus the District. Only eight states of the top 25 experienced negative net internal migration over this period, versus 16 states in the bottom 25 plus D.C.
- From January 1995 to August 2005, for example, job growth (based on seasonally adjusted data) has been 24% faster in the top 25 Index states (a 16.5% increase over the period) compared to the lower 26 (a 13.3% increase). More recently, as the economic recovery stepped up its pace over the last two years, again the difference in the rate of job growth was substantial. From August 2003 to August 2005, the top 25 ranked states on the Index created jobs at a 38% faster pace than the lower 25 states plus D.C. – 3.3% among the top 25 versus 2.4% among the low 26.

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 affects economic growth and job creation. That perhaps has never been more so the case as at the dawn of the twenty-first century when both labor and capital are more mobile due to great leaps in technology in recent years.

The Small Business Survival 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 Survival Index 2005

### Appendix A: Alphabetical Listing of States

State	Top Personal Income Tax	Top Capital Gains Tax	Top Corp. Income Tax	S-Corp	Ind.	PIT			Prop. Taxes	SGRE Taxes	Death Taxes	Unemp. Tax	Health GISG	Health GISE	Health CR	Health Mandates	Elec. Util. Costs	Workers Comp.	Crime Rate	Right to Work	Internet Access		State Reg			SBSI	
	Rate	Rate	Rate	Rate	AMT	AMT	Indx	Bcrts.													TL	Tax	Gas Tax	Min. Wage	State Liab.		Flex.
AL	3.25	4.25	4.225	0	0	0	1	1.29	3.71	0	1.51	1	0	0.33	0.9	0.79	2.88	4.48	0	5.97	1	0	0.18	0.00	1.7	1	39.465
AK	0	0	9.4	0	0	1	0	3.94	1.28	0	3.71	1	0	0.33	1.2	1.51	4.39	4.34	1	7.76	1	0	0.08	2.00	0.7	0.5	45.140
AZ	5.04	5.04	6.968	0	0	0	1	2.97	4.50	0	0.97	1	1	0.33	1.4	0.99	1.49	6.15	0	4.71	0	0	0.18	0.00	0.5	0	44.238
AR	7.21	5.047	6.5	0	0	0	0	1.57	4.59	0	2.1	1	0	0.33	1.85	0.75	1.57	4.08	0	5.52	0	0	0.215	0.00	1	0.5	43.832
CA	9.3	9.3	8.84	1.5	1	1	0	2.62	3.31	0	0.9	1	0	0.33	2.4	1.41	6.08	4	1	4.95	0	0	0.18	1.60	1.3	0.5	62.520
CO	4.63	4.63	4.63	0	1	0	0	2.74	3.12	0	1.25	1	1	0.33	1.75	0.97	2.33	4.29	1	5.4	0	0	0.22	0.00	0.4	0.5	41.190
CT	5	5	7.5	0	1	0	1	4.08	2.79	1	1.75	1	1	0.66	2.5	1.53	3.23	2.91	1	5.18	1	0	0.25	1.95	0.5	0	51.830
DE	5.95	5.95	8.7	0	0	0	1	1.54	0.84	0	1.46	1	1	0.33	1.15	0.93	3.44	4.04	1	5.77	0	0	0.23	1.00	0	0.5	45.830
DC	9	9	9.975	9.975	0	0	1	3.02	3.38	1	0.93	1	0	0	0.8	1.11	3.26	7.41	1	7.82	1	0	0.2	1.45		1	73.330
FL	0	0	5.5	0	0	1	0	3.17	4.14	0	0.99	1	1	0.33	2.5	1.13	4.2	5.18	0	4.74	1	0	0.145	1.00	1	0.5	38.525
GA	6	6	6	0	0	0	1	2.70	3.55	0	1.37	1	0	0.33	1.9	0.91	2.14	4.71	0	5.67	1	0	0.075	0.00	0.7	0.5	45.555
HI	8.25	7.25	6.4	0	0	0	1	1.66	5.67	0	4.64	1	1	0	1.1	2.21	3.73	5.51	1	5.62	1	1	0.16	1.10	1	0	60.300
ID	7.8	3.12	7.6	0	0	0	0	2.80	2.69	0	4.71	1	0	0.33	0.65	0.65	2.25	3.15	0	5.62	1	0	0.25	0.00	0.4	1	45.020
IL	3	3	7.3	1.5	0	0	0	3.82	2.96	1	2.26	1	0	0.33	1.85	0.88	2.65	3.84	1	5	1	0	0.19	1.35	1.3	0.5	45.730
IN	3.4	3.4	8.5	0	0	0	0	3.46	2.77	1	1.07	1	0	0.33	1.75	0.75	1.24	3.71	1	5.28	1	0	0.18	0.00	0.3	0	40.140
IA	5.837	7.633	9.9	0	1	1	0	3.49	3.08	1	4.71	1	0	0.33	1.1	0.84	1.91	3.23	0	6.25	1	0	0.207	0.00	0.3	0.5	54.317
KS	6.45	6.45	7.35	0	0	0	1	3.22	3.43	1	1.7	1	0	0.33	1.85	0.82	1.81	4.39	0	6.56	1	0	0.24	0.00	0.4	1	50.000
KY	6	6	7	0	0	0	1	1.90	3.34	1	2.15	1	0	0.33	1.65	0.61	3.48	2.94	1	5.72	1	0	0.185	0.00	0.8	0.5	47.605
LA	3.9	5.1	5.2	5.2	0	0	1	1.71	5.64	1	1.27	1	0	0.33	1.95	0.93	3.37	5	0	6.25	0	0	0.2	0.00	1.5	1	51.550
ME	8.5	8.5	8.93	0	1	1	0	5.27	2.89	1	1.89	1	1	0.66	2.25	1.32	3.08	2.57	1	5.85	1	0	0.259	1.20	0.4	0.5	61.069
MD	4.75	4.75	7	0	1	0	1	2.74	2.16	1	1.54	1	0	0.66	2.9	0.96	2.06	4.51	1	5.08	1	0	0.235	0.00	0.6	0.5	46.445
MA	5.3	5.3	9.5	4.5	0	0	0	3.47	1.87	1	2.93	1	1	0.66	2	1.55	1.7	3.02	1	5.03	1	0	0.235	1.60	0.6	0.5	54.765
MI	3.9	3.9	1.9	1.9	0	0	0	3.27	3.05	0	2.13	1	0	0.33	1.25	0.95	2.34	3.79	1	4.99	1	0	0.19	0.00	0.6	0	37.490
MN	7.85	7.85	9.8	0	1	1	0	3.11	3.16	1	5.83	1	0	0.33	3	0.82	2.74	3.38	1	5.39	1	0	0.2	0.00	0.4	0.5	60.360
MS	5	0	5	0	0	0	1	2.55	4.39	0	1.24	1	1	0.33	1.35	0.91	2.19	4.05	0	6.48	0	0	0.18	0.00	1.8	0.5	38.970
MO	6	6	5.156	0	0	0	1	2.40	3.31	0	2.33	1	0	0.33	1.95	0.76	2.67	4.49	1	5.41	0	0	0.17	0.00	1	0	44.976
MT	7.15	9.35	6.75	0	0	0	0	3.77	0.81	0	4.59	1	0	0.33	1.95	0.84	3.41	3.46	1	5.86	1	0	0.2775	0.00	0.9	1	53.448
NE	6.84	6.84	7.81	0	1	0	1	3.47	3.00	1	1.12	1	0	0.33	1.35	0.71	2.1	4	0	6.57	1	0	0.253	0.00	0.1	1	50.493
NV	0	0	0	0	0	0	0	2.57	5.17	0	3.1	0	0	0.33	2.35	1.12	2.58	4.9	0	4.13	0	0	0.23	0.00	0.6	0	27.080
NH	0	0	8.5	8.5	0	0	0	5.01	1.12	0	1.19	1	1	0.66	1.7	1.61	3.19	2.2	1	5.27	1	1	0.18	0.00	0.4	0.5	45.030
NJ	8.97	8.97	9	0	0	1	1	4.74	2.45	1	2.58	1	0	0.66	1.95	1.26	2.38	2.91	1	5.69	1	0	0.145	0.00	0.7	0.5	58.905
NM	6	4.2	7.6	0	0	0	1	1.64	4.61	0	2.77	1	0	0.33	2.15	0.95	2.56	4.79	1	6.55	1	1	0.17	0.00	0.8	0.5	50.620
NY	7.7	7.7	8.775	0	1	1	1	3.92	3.21	1	1.43	1	0	1	2.15	1.59	2.97	2.71	1	6.16	1	0	0.426	0.85	0.6	0	58.191
NC	8.25	8.25	6.9	0	0	0	1	2.35	2.88	1	3.08	1	1	0.33	2.25	0.93	2.32	4.73	0	5.31	1	0	0.271	0.00	0.5	0.5	53.851
ND	5.54	5.54	7	0	0	0	0	3.13	3.39	0	6.28	1	0	0.33	1.65	0.73	1.06	2.17	0	6.44	1	1	0.23	0.00	0.2	0	46.690
OH	7.5	7.5	8.5	0	0	0	1	3.20	2.82	1	1.84	1	0	0.33	1.25	0.89	3.59	3.97	1	5.44	1	1	0.28	0.00	0.6	0.5	54.210
OK	6.65	6.65	6	0	0	0	1	1.64	3.35	1	3.51	1	0	0.33	1.75	0.79	3.07	4.81	0	5.7	0	0	0.16	0.00	0.7	0	48.110
OR	9	9	6.6	0	0	0	0	3.10	0.47	1	3.9	1	0	0.66	1.55	0.83	2.05	5.08	1	5	0	0	0.24	1.90	0.6	0	52.980
PA	3.07	3.07	9.99	0	0	0	0	2.84	2.49	1	2.02	1	0	0	1.85	1.07	2.82	2.83	1	4.6	1	0	0.311	0.00	0.8	0.5	42.261

**Small Business Survival Index 2005**  
**Appendix A: Alphabetical Listing of States**  
(continued)

State	Top Personal Income	Top Capital Gains	Top Corp. Income	S-Corp Rate	Ind. AMT	Corp. AMT	PIT Rate Indx	Prop. Taxes	SGRE Taxes	Death Taxes	Unemp. Tax	Health GISG	Health GISE	Health CR	Health Mandates	Elec.		Crime Rate	Right to Work	Internet		State			SBSI		
	Tax Rate	Tax Rate	Tax Rate													Util. Costs	Workers Comp.			Access	Gas Tax	Min. Wage	State Liab.	Reg Flex.			
RI	9.9	5	9	0	1	0	1	4.44	3.14	1	3.94	1	1	0.33	2	1.47	3.01	3.28	1	4.68	1	0	0.3	1.60	0.8	0.5	60.390
SC	7	3.92	5	0	0	0	0	2.96	2.88	0	1.25	1	0	0.33	1.4	0.85	2.08	5.27	0	5.79	1	0	0.16	0.00	0.9	0	41.790
SD	0	0	0	0	0	0	0	3.26	3.93	0	1.62	1	0	0.33	1.4	0.84	2.05	2.18	0	5.65	0	1	0.22	0.00	0.3	0.5	24.280
TN	0	0	6.5	6.5	0	0	0	2.16	4.16	1	1.85	1	0	0.33	1.9	0.82	2.62	5.07	0	5.38	1	1	0.2	0.00	0.6	1	43.090
TX	0	0	4.5	4.5	0	0	0	3.88	4.09	0	1.74	1	0	0.33	2.55	1.04	3.08	5.15	0	5.65	1	1	0.2	0.00	1	0.5	41.210
UT	5.775	6.475	5	0	0	0	1	2.49	3.99	0	6.32	1	0	0.33	1.8	0.75	1.63	4.47	0	5.34	1	0	0.245	0.00	0.4	0.5	48.515
VT	9.5	5.7	9.75	0	0	0	0	4.49	2.73	1	1.34	1	1	1	1.15	1.47	2.99	2.31	1	6.14	1	0	0.2	1.85	0.6	0.5	56.720
VA	5.75	5.75	6	0	0	0	1	2.81	2.38	1	1.21	1	0	0	2.7	0.85	1.57	2.98	0	5.51	1	0	0.175	0.00	0.2	0	41.885
WA	0	0	0	0	0	0	0	2.92	5.67	1	4.01	1	0	0.66	2.4	0.75	2.2	5.1	1	5.21	1	1	0.31	2.20	0.5	0.5	37.430
WV	6.5	6.5	9	0	1	0	1	2.10	3.91	0	1.86	1	0	0.33	1.75	0.68	2.64	2.62	1	5.41	1	0	0.205	0.00	1.8	0.5	50.805
WI	6.75	2.7	7.9	0	1	0	0	3.96	2.90	1	2.75	1	0	0.33	1.45	0.94	2.27	3.1	1	5.21	1	1	0.329	0.55	0.4	0	47.539
WY	0	0	0	0	0	0	0	4.47	3.98	0	4.32	1	0	0.33	1.55	0.67	2.43	3.58	0	8.59	1	0	0.14	0.00	0.3	1	33.360

## Small Business Survival Index 2005

### Appendix B: Ranked According to Index Score

Rank	State	Top Personal Income	Top Capital Gains	Top Corp. Income	PIT			Elec.										Right		Internet		State		SBSI				
		Tax Rate	Tax Rate	Tax Rate	S-Corp Rate	Ind. AMT	Corp. AMT	Rate Indx	Prop. Taxes	SGRE Taxes	Death Taxes	Unemp. Tax	Health GIGS	Health GISE	Health CR	Health Mandates	Util. Costs	Workers Comp.	Crime Rate	to Work	Bcrt. TL	Access Tax	Gas Tax		Min. Wage	State Liab.	Reg Flex.	
1	SD	0	0	0	0	0	0	0	3.26	3.93	0	1.62	1	0	0.33	1.4	0.84	2.05	2.18	0	5.65	0	1	0.22	0.00	0.3	0.5	24.280
2	NV	0	0	0	0	0	0	0	2.57	5.17	0	3.1	0	0	0.33	2.35	1.12	2.58	4.9	0	4.13	0	0	0.23	0.00	0.6	0	27.080
3	WY	0	0	0	0	0	0	0	4.47	3.98	0	4.32	1	0	0.33	1.55	0.67	2.43	3.58	0	8.59	1	0	0.14	0.00	0.3	1	33.360
4	WA	0	0	0	0	0	0	0	2.92	5.67	1	4.01	1	0	0.66	2.4	0.75	2.2	5.1	1	5.21	1	1	0.31	2.20	0.5	0.5	37.430
5	MI	3.9	3.9	1.9	1.9	0	0	0	3.27	3.05	0	2.13	1	0	0.33	1.25	0.95	2.34	3.79	1	4.99	1	0	0.19	0.00	0.6	0	37.490
6	FL	0	0	5.5	0	0	1	0	3.17	4.14	0	0.99	1	1	0.33	2.5	1.13	4.2	5.18	0	4.74	1	0	0.145	1.00	1	0.5	38.525
7	MS	5	0	5	0	0	0	1	2.55	4.39	0	1.24	1	1	0.33	1.35	0.91	2.19	4.05	0	6.48	0	0	0.18	0.00	1.8	0.5	38.970
8	AL	3.25	4.25	4.225	0	0	0	1	1.29	3.71	0	1.51	1	0	0.33	0.9	0.79	2.88	4.48	0	5.97	1	0	0.18	0.00	1.7	1	39.465
9	IN	3.4	3.4	8.5	0	0	0	0	3.46	2.77	1	1.07	1	0	0.33	1.75	0.75	1.24	3.71	1	5.28	1	0	0.18	0.00	0.3	0	40.140
10	CO	4.63	4.63	4.63	0	1	0	0	2.74	3.12	0	1.25	1	1	0.33	1.75	0.97	2.33	4.29	1	5.4	0	0	0.22	0.00	0.4	0.5	41.190
11	TX	0	0	4.5	4.5	0	0	0	3.88	4.09	0	1.74	1	0	0.33	2.55	1.04	3.08	5.15	0	5.65	1	1	0.2	0.00	1	0.5	41.210
12	SC	7	3.92	5	0	0	0	0	2.96	2.88	0	1.25	1	0	0.33	1.4	0.85	2.08	5.27	0	5.79	1	0	0.16	0.00	0.9	0	41.790
13	VA	5.75	5.75	6	0	0	0	1	2.81	2.38	1	1.21	1	0	0	2.7	0.85	1.57	2.98	0	5.51	1	0	0.175	0.00	0.2	0	41.885
14	PA	3.07	3.07	9.99	0	0	0	0	2.84	2.49	1	2.02	1	0	0	1.85	1.07	2.82	2.83	1	4.6	1	0	0.311	0.00	0.8	0.5	42.261
15	TN	0	0	6.5	6.5	0	0	0	2.16	4.16	1	1.85	1	0	0.33	1.9	0.82	2.62	5.07	0	5.38	1	1	0.2	0.00	0.6	1	43.090
16	AR	7.21	5.047	6.5	0	0	0	0	1.57	4.59	0	2.1	1	0	0.33	1.85	0.75	1.57	4.08	0	5.52	0	0	0.215	0.00	1	0.5	43.832
17	AZ	5.04	5.04	6.968	0	0	0	1	2.97	4.50	0	0.97	1	1	0.33	1.4	0.99	1.49	6.15	0	4.71	0	0	0.18	0.00	0.5	0	44.238
18	MO	6	6	5.156	0	0	0	1	2.40	3.31	0	2.33	1	0	0.33	1.95	0.76	2.67	4.49	1	5.41	0	0	0.17	0.00	1	0	44.976
19	ID	7.8	3.12	7.6	0	0	0	0	2.80	2.69	0	4.71	1	0	0.33	0.65	0.65	2.25	3.15	0	5.62	1	0	0.25	0.00	0.4	1	45.020
20	NH	0	0	8.5	8.5	0	0	0	5.01	1.12	0	1.19	1	1	0.66	1.7	1.61	3.19	2.2	1	5.27	1	1	0.18	0.00	0.4	0.5	45.030
21	AK	0	0	9.4	0	0	1	0	3.94	1.28	0	3.71	1	0	0.33	1.2	1.51	4.39	4.34	1	7.76	1	0	0.08	2.00	0.7	0.5	45.140
22	GA	6	6	6	0	0	0	1	2.70	3.55	0	1.37	1	0	0.33	1.9	0.91	2.14	4.71	0	5.67	1	0	0.075	0.00	0.7	0.5	45.555
23	IL	3	3	7.3	1.5	0	0	0	3.82	2.96	1	2.26	1	0	0.33	1.85	0.88	2.65	3.84	1	5	1	0	0.19	1.35	1.3	0.5	45.730
24	DE	5.95	5.95	8.7	0	0	0	1	1.54	0.84	0	1.46	1	1	0.33	1.15	0.93	3.44	4.04	1	5.77	0	0	0.23	1.00	0	0.5	45.830
25	MD	4.75	4.75	7	0	1	0	1	2.74	2.16	1	1.54	1	0	0.66	2.9	0.96	2.06	4.51	1	5.08	1	0	0.235	0.00	0.6	0.5	46.445
26	ND	5.54	5.54	7	0	0	0	0	3.13	3.39	0	6.28	1	0	0.33	1.65	0.73	1.06	2.17	0	6.44	1	1	0.23	0.00	0.2	0	46.690
27	WI	6.75	2.7	7.9	0	1	0	0	3.96	2.90	1	2.75	1	0	0.33	1.45	0.94	2.27	3.1	1	5.21	1	1	0.329	0.55	0.4	0	47.539
28	KY	6	6	7	0	0	0	1	1.90	3.34	1	2.15	1	0	0.33	1.65	0.61	3.48	2.94	1	5.72	1	0	0.185	0.00	0.8	0.5	47.605
29	OK	6.65	6.65	6	0	0	0	1	1.64	3.35	1	3.51	1	0	0.33	1.75	0.79	3.07	4.81	0	5.7	0	0	0.16	0.00	0.7	0	48.110
30	UT	5.775	6.475	5	0	0	0	1	2.49	3.99	0	6.32	1	0	0.33	1.8	0.75	1.63	4.47	0	5.34	1	0	0.245	0.00	0.4	0.5	48.515
31	KS	6.45	6.45	7.35	0	0	0	1	3.22	3.43	1	1.7	1	0	0.33	1.85	0.82	1.81	4.39	0	6.56	1	0	0.24	0.00	0.4	1	50.000
32	NE	6.84	6.84	7.81	0	1	0	1	3.47	3.00	1	1.12	1	0	0.33	1.35	0.71	2.1	4	0	6.57	1	0	0.253	0.00	0.1	1	50.493
33	NM	6	4.2	7.6	0	0	0	1	1.64	4.61	0	2.77	1	0	0.33	2.15	0.95	2.56	4.79	1	6.55	1	1	0.17	0.00	0.8	0.5	50.620
34	WV	6.5	6.5	9	0	1	0	1	2.10	3.91	0	1.86	1	0	0.33	1.75	0.68	2.64	2.62	1	5.41	1	0	0.205	0.00	1.8	0.5	50.805
35	LA	3.9	5.1	5.2	5.2	0	0	1	1.71	5.64	1	1.27	1	0	0.33	1.95	0.93	3.37	5	0	6.25	0	0	0.2	0.00	1.5	1	51.550
36	CT	5	5	7.5	0	1	0	1	4.08	2.79	1	1.75	1	1	0.66	2.5	1.53	3.23	2.91	1	5.18	1	0	0.25	1.95	0.5	0	51.830
37	OR	9	9	6.6	0	0	0	0	3.10	0.47	1	3.9	1	0	0.66	1.55	0.83	2.05	5.08	1	5	0	0	0.24	1.90	0.6	0	52.980
38	MT	7.15	9.35	6.75	0	0	0	0	3.77	0.81	0	4.59	1	0	0.33	1.95	0.84	3.41	3.46	1	5.86	1	0	0.2775	0.00	0.9	1	53.448
39	NC	8.25	8.25	6.9	0	0	0	1	2.35	2.88	1	3.08	1	1	0.33	2.25	0.93	2.32	4.73	0	5.31	1	0	0.271	0.00	0.5	0.5	53.851
40	OH	7.5	7.5	8.5	0	0	0	1	3.20	2.82	1	1.84	1	0	0.33	1.25	0.89	3.59	3.97	1	5.44	1	1	0.28	0.00	0.6	0.5	54.210

**Small Business Survival Index 2005**  
**Appendix B : Ranked According to Index Score**  
**(continued)**

Rank	State	Top	Top	Top	PIT										Elec.				Right		Internet		State			SBSI		
		Personal Income Tax Rate	Capital Gains Tax Rate	Corp. Income Tax Rate	S-Corp Rate	Ind. AMT	Corp. AMT	Rate Indx	Prop. Taxes	SGRE Taxes	Death Taxes	Unemp. Tax	Health GISG	Health GISE	Health CR	Health Mandates	Util. Costs	Workers Comp.	Crime Rate	to Work	Bcrts.	TL	Access Tax	Gas Tax	Min. Wage		State Liab.	Reg Flex.
41	IA	5.837	7.633	9.9	0	1	1	0	3.49	3.08	1	4.71	1	0	0.33	1.1	0.84	1.91	3.23	0	6.25	1	0	0.207	0.00	0.3	0.5	54.317
42	MA	5.3	5.3	9.5	4.5	0	0	0	3.47	1.87	1	2.93	1	1	0.66	2	1.55	1.7	3.02	1	5.03	1	0	0.235	1.60	0.6	0.5	54.765
43	VT	9.5	5.7	9.75	0	0	0	0	4.49	2.73	1	1.34	1	1	1	1.15	1.47	2.99	2.31	1	6.14	1	0	0.2	1.85	0.6	0.5	56.720
44	NY	7.7	7.7	8.775	0	1	1	1	3.92	3.21	1	1.43	1	0	1	2.15	1.59	2.97	2.71	1	6.16	1	0	0.426	0.85	0.6	0	58.191
45	NJ	8.97	8.97	9	0	0	1	1	4.74	2.45	1	2.58	1	0	0.66	1.95	1.26	2.38	2.91	1	5.69	1	0	0.145	0.00	0.7	0.5	58.905
46	HI	8.25	7.25	6.4	0	0	0	1	1.66	5.67	0	4.64	1	1	0	1.1	2.21	3.73	5.51	1	5.62	1	1	0.16	1.10	1	0	60.300
47	MN	7.85	7.85	9.8	0	1	1	0	3.11	3.16	1	5.83	1	0	0.33	3	0.82	2.74	3.38	1	5.39	1	0	0.2	0.00	0.4	0.5	60.360
48	RI	9.9	5	9	0	1	0	1	4.44	3.14	1	3.94	1	1	0.33	2	1.47	3.01	3.28	1	4.68	1	0	0.3	1.60	0.8	0.5	60.390
49	ME	8.5	8.5	8.93	0	1	1	0	5.27	2.89	1	1.89	1	1	0.66	2.25	1.32	3.08	2.57	1	5.85	1	0	0.259	1.20	0.4	0.5	61.069
50	CA	9.3	9.3	8.84	1.5	1	1	0	2.62	3.31	0	0.9	1	0	0.33	2.4	1.41	6.08	4	1	4.95	0	0	0.18	1.60	1.3	0.5	62.520
51	DC	9	9	9.975	9.975	0	0	1	3.02	3.38	1	0.93	1	0	0	0.8	1.11	3.26	7.41	1	7.82	1	0	0.2	1.45		1	73.330

\* (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.'s last place score actually is underestimated.)



**Small Business Survival Index 2005**  
**Appendix C: State Rankings of Top Personal Income Tax Rates**

<b>Rank</b>	<b>State</b>	<b>Top PIT Rate</b>	<b>Rank</b>	<b>State</b>	<b>Top PIT Rate</b>
1	Alaska	0.000	27	Georgia	6.000
1	Florida	0.000	27	Kentucky	6.000
1	Nevada	0.000	27	Missouri	6.000
1	New Hampshire	0.000	27	New Mexico	6.000
1	South Dakota	0.000	31	Kansas	6.450
1	Tennessee	0.000	32	West Virginia	6.500
1	Texas	0.000	33	Oklahoma	6.650
1	Washington	0.000	34	Wisconsin	6.750
1	Wyoming	0.000	35	Nebraska	6.840
10	Illinois	3.000	36	South Carolina	7.000
11	Pennsylvania	3.070	37	Montana	7.150
12	Alabama	3.250	38	Arkansas	7.210
13	Indiana	3.400	39	Ohio	7.500
14	Louisiana	3.900	40	New York	7.700
14	Michigan	3.900	41	Idaho	7.800
16	Colorado	4.630	42	Minnesota	7.850
17	Maryland	4.750	43	Hawaii	8.250
18	Connecticut	5.000	43	North Carolina	8.250
18	Mississippi	5.000	45	Maine	8.500
20	Arizona	5.040	46	New Jersey	8.970
21	Massachusetts	5.300	47	Dist. of Columbia	9.000
22	North Dakota	5.540	47	Oregon	9.000
23	Virginia	5.750	49	California	9.300
24	Utah	5.775	50	Vermont	9.500
25	Iowa	5.837	51	Rhode Island	9.900
26	Delaware	5.950			

**Small Business Survival Index 2005**  
**Appendix D: State Rankings of Top Capital Gains Tax Rates**

<b>Rank</b>	<b>State</b>	<b>CG Rate</b>	<b>Rank</b>	<b>State</b>	<b>CG Rate</b>
1	Alaska	0.000	27	Massachusetts	5.300
1	Florida	0.000	28	North Dakota	5.540
1	Mississippi	0.000	29	Vermont	5.700
1	Nevada	0.000	30	Virginia	5.750
1	New Hampshire	0.000	31	Delaware	5.950
1	South Dakota	0.000	32	Georgia	6.000
1	Tennessee	0.000	32	Kentucky	6.000
1	Texas	0.000	32	Missouri	6.000
1	Washington	0.000	35	Kansas	6.450
1	Wyoming	0.000	36	Utah	6.475
11	Wisconsin	2.700	37	West Virginia	6.500
12	Illinois	3.000	38	Oklahoma	6.650
13	Pennsylvania	3.070	39	Nebraska	6.840
14	Idaho	3.120	40	Hawaii	7.250
15	Indiana	3.400	41	Ohio	7.500
16	Michigan	3.900	42	Iowa	7.633
17	South Carolina	3.920	43	New York	7.700
18	New Mexico	4.200	44	Minnesota	7.850
19	Alabama	4.250	45	North Carolina	8.250
20	Colorado	4.630	46	Maine	8.500
21	Maryland	4.750	47	New Jersey	8.970
22	Connecticut	5.000	48	Dist. of Columbia	9.000
22	Rhode Island	5.000	48	Oregon	9.000
24	Arizona	5.040	50	California	9.300
25	Arkansas	5.047	51	Montana	9.350
26	Louisiana	5.100			

**Small Business Survival Index 2005**  
**Appendix E: State Rankings of Top Corporate Income Tax Rates**

<b>Rank</b>	<b>State</b>	<b>Top CIT Rate</b>	<b>Rank</b>	<b>State</b>	<b>Top CIT Rate</b>
1	Nevada	0.000	25	North Dakota	7.000
1	South Dakota	0.000	28	Illinois	7.300
1	Washington	0.000	29	Kansas	7.350
1	Wyoming	0.000	30	Connecticut	7.500
5	Michigan	1.900	31	Idaho	7.600
6	Alabama	4.225	32	New Mexico	7.600
7	Texas	4.500	33	Nebraska	7.810
8	Colorado	4.630	34	Wisconsin	7.900
9	Mississippi	5.000	35	Indiana	8.500
9	South Carolina	5.000	35	New Hampshire	8.500
9	Utah	5.000	35	Ohio	8.500
12	Missouri	5.156	38	Delaware	8.700
13	Louisiana	5.200	39	New York	8.775
14	Florida	5.500	40	California	8.840
15	Georgia	6.000	41	Maine	8.930
15	Oklahoma	6.000	42	New Jersey	9.000
15	Virginia	6.000	42	Rhode Island	9.000
18	Hawaii	6.400	42	West Virginia	9.000
19	Arkansas	6.500	45	Alaska	9.400
19	Tennessee	6.500	46	Massachusetts	9.500
21	Oregon	6.600	47	Vermont	9.750
22	Montana	6.750	48	Minnesota	9.800
23	North Carolina	6.900	49	Iowa	9.900
24	Arizona	6.968	50	Dist. of Columbia	9.975
25	Kentucky	7.000	51	Pennsylvania	9.990
25	Maryland	7.000			

**Small Business Survival Index 2005**  
**Appendix F: State 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	1.29	27	Oregon	3.10
2	Delaware	1.54	28	Minnesota	3.11
2	Arkansas	1.57	29	North Dakota	3.13
4	New Mexico	1.64	30	Florida	3.17
4	Oklahoma	1.64	31	Ohio	3.20
6	Hawaii	1.66	32	Kansas	3.22
7	Louisiana	1.71	33	South Dakota	3.26
8	Kentucky	1.90	34	Michigan	3.27
9	West Virginia	2.10	35	Indiana	3.46
10	Tennessee	2.16	36	Massachusetts	3.47
11	North Carolina	2.35	36	Nebraska	3.47
12	Missouri	2.40	38	Iowa	3.49
13	Utah	2.49	39	Montana	3.77
14	Mississippi	2.55	40	Illinois	3.82
15	Nevada	2.57	41	Texas	3.88
16	California	2.62	42	New York	3.92
17	Georgia	2.70	43	Alaska	3.94
18	Colorado	2.74	44	Wisconsin	3.96
18	Maryland	2.74	45	Connecticut	4.08
20	Idaho	2.80	46	Rhode Island	4.44
21	Virginia	2.81	47	Wyoming	4.47
22	Pennsylvania	2.84	48	Vermont	4.49
23	Washington	2.92	49	New Jersey	4.74
24	South Carolina	2.96	50	New Hampshire	5.01
25	Arizona	2.97	51	Maine	5.27
26	Dist. of Columbia	3.02			

## Small Business Survival Index 2005

### Appendix G: State Rankings of State and Local Sales, Gross Receipts and Excise Taxes

(Sales, Gross Receipts and Excise Taxes as a Share of Personal Income)

Rank	State	SGRE Taxes	Rank	State	SGRE Taxes
1	Oregon	0.47	26	New York	3.21
2	Montana	0.81	28	California	3.31
3	Delaware	0.84	28	Missouri	3.31
4	New Hampshire	1.12	30	Kentucky	3.34
5	Alaska	1.28	31	Oklahoma	3.35
6	Massachusetts	1.87	32	Dist. of Columbia	3.38
7	Maryland	2.16	33	North Dakota	3.39
8	Virginia	2.38	34	Kansas	3.43
9	New Jersey	2.45	35	Georgia	3.55
10	Pennsylvania	2.49	36	Alabama	3.71
11	Idaho	2.69	37	West Virginia	3.91
12	Vermont	2.73	38	South Dakota	3.93
13	Indiana	2.77	39	Wyoming	3.98
14	Connecticut	2.79	40	Utah	3.99
15	Ohio	2.82	41	Texas	4.09
16	North Carolina	2.88	42	Florida	4.14
16	South Carolina	2.88	43	Tennessee	4.16
18	Maine	2.89	44	Mississippi	4.39
19	Wisconsin	2.90	45	Arizona	4.50
20	Illinois	2.96	46	Arkansas	4.59
21	Nebraska	3.00	47	New Mexico	4.61
21	Michigan	3.05	48	Nevada	5.17
23	Iowa	3.08	49	Louisiana	5.64
24	Colorado	3.12	50	Hawaii	5.67
24	Rhode Island	3.14	50	Washington	5.67
26	Minnesota	3.16			

## Small Business Survival Index 2005

### Appendix H: State Rankings of Adjusted Unemployment Tax Rate

(Maximum State Tax Rate Applied to State Wage Base as a Share of State Average Pay)

Rank	State	Unemp. Tax	Rank	State	Unemp. Tax
1	California	0.90	27	Pennsylvania	2.02
2	Dist. of Columbia	0.93	28	Arkansas	2.10
3	Arizona	0.97	29	Michigan	2.13
4	Florida	0.99	30	Kentucky	2.15
5	Indiana	1.07	31	Illinois	2.26
6	Nebraska	1.12	32	Missouri	2.33
7	New Hampshire	1.19	33	New Jersey	2.58
8	Virginia	1.21	34	Wisconsin	2.75
9	Mississippi	1.24	35	New Mexico	2.77
10	Colorado	1.25	36	Massachusetts	2.93
10	South Carolina	1.25	37	North Carolina	3.08
12	Louisiana	1.27	38	Nevada	3.10
13	Vermont	1.34	39	Oklahoma	3.51
14	Georgia	1.37	40	Alaska	3.71
15	New York	1.43	41	Oregon	3.90
16	Delaware	1.46	42	Rhode Island	3.94
17	Alabama	1.51	43	Washington	4.01
18	Maryland	1.54	44	Wyoming	4.32
19	South Dakota	1.62	45	Montana	4.59
20	Kansas	1.70	46	Hawaii	4.64
21	Texas	1.74	47	Idaho	4.71
22	Connecticut	1.75	47	Iowa	4.71
23	Ohio	1.84	49	Minnesota	5.83
24	Tennessee	1.85	50	North Dakota	6.28
25	West Virginia	1.86	51	Utah	6.32
26	Maine	1.89			

## Small Business Survival Index 2005

### Appendix I: State Rankings of Electric Utility Costs

(Index of State Average Revenue Per Kilowatt-hour for Electricity Utilities Relative to the U.S. Average)

Rank	State	Elec. Costs	Rank	State	Elec. Costs
1	Kentucky	0.61	27	Delaware	0.93
2	Idaho	0.65	27	Louisiana	0.93
3	Wyoming	0.67	27	North Carolina	0.93
4	West Virginia	0.68	30	Wisconsin	0.94
5	Nebraska	0.71	31	Michigan	0.95
5	North Dakota	0.73	31	New Mexico	0.95
7	Arkansas	0.75	33	Maryland	0.96
7	Indiana	0.75	34	Colorado	0.97
7	Utah	0.75	35	Arizona	0.99
7	Washington	0.75	36	Texas	1.04
11	Missouri	0.76	37	Pennsylvania	1.07
12	Alabama	0.79	38	Dist. of Columbia	1.11
12	Oklahoma	0.79	39	Nevada	1.12
14	Kansas	0.82	40	Florida	1.13
14	Minnesota	0.82	41	New Jersey	1.26
14	Tennessee	0.82	42	Maine	1.32
17	Oregon	0.83	43	California	1.41
18	Iowa	0.84	44	Rhode Island	1.47
18	Montana	0.84	44	Vermont	1.47
18	South Dakota	0.84	46	Alaska	1.51
21	South Carolina	0.85	47	Connecticut	1.53
21	Virginia	0.85	48	Massachusetts	1.55
23	Illinois	0.88	49	New York	1.59
24	Ohio	0.89	50	New Hampshire	1.61
25	Georgia	0.91	51	Hawaii	2.21
25	Mississippi	0.91			

**Small Business Survival Index 2005**  
**Appendix J: State Rankings of Workers' Compensation Premiums**

<b>Rank</b>	<b>State</b>	<b>Work Comp</b>	<b>Rank</b>	<b>State</b>	<b>Work Comp</b>
1	North Dakota	1.06	27	Tennessee	2.62
2	Indiana	1.24	28	West Virginia	2.64
3	Arizona	1.49	29	Illinois	2.65
4	Arkansas	1.57	30	Missouri	2.67
4	Virginia	1.57	31	Minnesota	2.74
6	Utah	1.63	32	Pennsylvania	2.82
7	Massachusetts	1.70	33	Alabama	2.88
8	Kansas	1.81	34	New York	2.97
9	Iowa	1.91	35	Vermont	2.99
10	Oregon	2.05	36	Rhode Island	3.01
10	South Dakota	2.05	37	Oklahoma	3.07
12	Maryland	2.06	38	Maine	3.08
13	South Carolina	2.08	38	Texas	3.08
14	Nebraska	2.10	40	New Hampshire	3.19
15	Georgia	2.14	41	Connecticut	3.23
16	Mississippi	2.19	42	Dist. of Columbia	3.26
17	Washington	2.20	43	Louisiana	3.37
18	Idaho	2.25	44	Montana	3.41
19	Wisconsin	2.27	45	Delaware	3.44
20	North Carolina	2.32	46	Kentucky	3.48
21	Colorado	2.33	47	Ohio	3.59
22	Michigan	2.34	48	Hawaii	3.73
23	New Jersey	2.38	49	Florida	4.20
24	Wyoming	2.43	50	Alaska	4.39
25	New Mexico	2.56	51	California	6.08
26	Nevada	2.58			



**Small Business Survival Index 2005**  
**Appendix K: 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	North Dakota	2.17	27	Delaware	4.04
2	South Dakota	2.18	28	Mississippi	4.05
3	New Hampshire	2.20	28	Arkansas	4.08
4	Vermont	2.31	30	Colorado	4.29
5	Maine	2.57	31	Alaska	4.34
6	West Virginia	2.62	32	Kansas	4.39
7	New York	2.71	33	Utah	4.47
8	Pennsylvania	2.83	34	Alabama	4.48
9	Connecticut	2.91	35	Missouri	4.49
9	New Jersey	2.91	36	Maryland	4.51
11	Kentucky	2.94	37	Georgia	4.71
12	Virginia	2.98	38	North Carolina	4.73
13	Massachusetts	3.02	39	New Mexico	4.79
14	Wisconsin	3.10	40	Oklahoma	4.81
15	Idaho	3.15	41	Nevada	4.90
16	Iowa	3.23	42	Louisiana	5.00
17	Rhode Island	3.28	43	Tennessee	5.07
18	Minnesota	3.38	44	Oregon	5.08
19	Montana	3.46	45	Washington	5.10
20	Wyoming	3.58	46	Texas	5.15
21	Indiana	3.71	47	Florida	5.18
22	Michigan	3.79	48	South Carolina	5.27
23	Illinois	3.84	49	Hawaii	5.51
23	Ohio	3.97	50	Arizona	6.15
25	California	4.00	51	Dist. of Columbia	7.41
25	Nebraska	4.00			

**Small Business Survival Index 2005**  
**Appendix L: State Rankings of the Number of Bureaucrats**  
(Full-Time-Equivalent State and Local Government Employees Per 100 Residents)

<b>Rank</b>	<b>State</b>	<b>Bureaucrats</b>	<b>Rank</b>	<b>State</b>	<b>Bureaucrats</b>
1	Nevada	4.13	27	Hawaii	5.62
2	Pennsylvania	4.60	27	Idaho	5.62
3	Rhode Island	4.68	29	South Dakota	5.65
4	Arizona	4.71	29	Texas	5.65
5	Florida	4.74	31	Georgia	5.67
6	California	4.95	32	New Jersey	5.69
7	Michigan	4.99	33	Oklahoma	5.70
8	Illinois	5.00	34	Kentucky	5.72
8	Oregon	5.00	35	Delaware	5.77
10	Massachusetts	5.03	35	South Carolina	5.79
11	Maryland	5.08	37	Maine	5.85
12	Connecticut	5.18	38	Montana	5.86
13	Washington	5.21	39	Alabama	5.97
13	Wisconsin	5.21	40	Vermont	6.14
15	New Hampshire	5.27	41	New York	6.16
16	Indiana	5.28	42	Iowa	6.25
17	North Carolina	5.31	42	Louisiana	6.25
18	Utah	5.34	44	North Dakota	6.44
19	Tennessee	5.38	45	Mississippi	6.48
20	Minnesota	5.39	46	New Mexico	6.55
21	Colorado	5.40	47	Kansas	6.56
22	Missouri	5.41	48	Nebraska	6.57
22	West Virginia	5.41	49	Alaska	7.76
24	Ohio	5.44	50	Dist. of Columbia	7.82
25	Virginia	5.51	51	Wyoming	8.59
26	Arkansas	5.52			

**Small Business Survival Index 2005**  
**Appendix M: State 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	Georgia	0.075	27	West Virginia	0.205
2	Alaska	0.080	28	Iowa	0.207
3	Wyoming	0.140	29	Arkansas	0.215
4	Florida	0.145	30	Colorado	0.220
4	New Jersey	0.145	30	South Dakota	0.220
6	Hawaii	0.160	32	Delaware	0.230
6	Oklahoma	0.160	32	Nevada	0.230
6	South Carolina	0.160	32	North Dakota	0.230
9	Missouri	0.170	35	Maryland	0.235
9	New Mexico	0.170	35	Massachusetts	0.235
11	Virginia	0.175	37	Kansas	0.240
12	Alabama	0.180	37	Oregon	0.240
12	Arizona	0.180	39	Utah	0.245
12	California	0.180	40	Connecticut	0.250
12	Indiana	0.180	40	Idaho	0.250
12	Mississippi	0.180	42	Nebraska	0.253
12	New Hampshire	0.180	43	Maine	0.259
18	Kentucky	0.185	44	North Carolina	0.271
19	Illinois	0.190	45	Montana	0.278
19	Michigan	0.190	46	Ohio	0.280
21	Dist. of Columbia	0.200	47	Rhode Island	0.300
21	Louisiana	0.200	48	Washington	0.310
21	Minnesota	0.200	49	Pennsylvania	0.311
21	Tennessee	0.200	50	Wisconsin	0.329
21	Texas	0.200	51	New York	0.426
21	Vermont	0.200			