REVISED & EXPANDED

SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S

SMALL BUSINESS SURVIVAL INDEX 2006:

RANKING THE POLICY ENVIRONMENT FOR ENTREPRENEURSHIP ACROSS THE NATION

11th Annual Edition

by Raymond J. Keating
Chief Economist
Small Business & Entrepreneurship Council

October 2006

Small Business & Entrepreneurship Council
1920 L Street • Suite 200 • Washington, D.C. 20036
Telephone: 202-785-0238 • Fax: 202-822-8118
Website: www.sbecouncil.org

Small Business Survival Index 2006: State Rankings*

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

Rank	State	SBSI	Rank	State	SBSI
1	South Dakota	26.360	26	Utah	50.095
2	Nevada	29.915	27	Wisconsin	51.479
3	Wyoming	35.840	28	Maryland	51.845
4	Alabama	40.328	29	New Mexico	52.510
5	Washington	40.420	30	Montana	53.898
6	Florida	40.819	31	Nebraska	54.220
7	Mississippi	41.088	32	Connecticut	54.250
8	Colorado	42.680	33	Louisiana	54.270
9	Texas	42.710	34	Idaho	54.520
10	Michigan	42.742	35	Kansas	54.800
11	South Carolina	44.558	36	Kentucky	56.265
12	Indiana	44.870	37	West Virginia	56.660
13	Tennessee	44.974	38	Ohio	56.730
14	Virginia	45.456	39	Oregon	57.059
15	Arizona	45.748	40	North Carolina	57.482
16	Pennsylvania	45.863	41	Iowa	57.760
17	Alaska	46.770	42	Vermont	59.480
18	New Hampshire	47.256	43	Massachusetts	61.055
19	Delaware	47.310	44	Hawaii	62.608
20	Arkansas	48.158	45	New York	62.654
21	Illinois	48.494	46	Minnesota	63.590
22	Missouri	49.242	47	Maine	63.993
23	Oklahoma	49.460	48	Rhode Island	64.970
24	North Dakota	49.850	49	California	65.117
25	Georgia	49.903	50	New Jersey	65.345
			51	Dist. of Columbia	75.420

* (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 should be worse.)

Table of Contents

Introduction: The Hows and Whys of the Index

Everyone seems to love entrepreneurs and small businesses. Politicians, especially, talk about the need to support and help the small business owner. From the White House to state legislatures to local town halls, the merits and importance of entrepreneurship never seem to be in doubt.

If that is the case, then why are small businesses and their employees hindered by so many governmental obstacles? On the one hand, legislators say they appreciate all that entrepreneurs do for the economy, but on the other hand, many of these same lawmakers saddle entrepreneurial ventures with high taxes, onerous regulations, red tape, paperwork, and generally bloated government.

For the entrepreneurial sector of the economy, policy matters. After all, the U.S. economy is dependent on the health and growth of small businesses and obstacles that impede their success is a big negative for the economy.

The data consistently show that small businesses truly are the backbone of the U.S. economy. Consider a few items gathered by the U.S. Small Business Administration's Office of Advocacy in its "Frequently Asked Questions" (June 2006) publication.

• There were approximately 25.8 million businesses in the United States in 2005, and 99.9 percent had fewer than 500 employees (nearly 17,000 businesses have more than 500 employees).

• Small businesses employ just over 50 percent of total private sector, nonfarm workers. "Of 113.4 million nonfarm private sector workers in 2003, small firms with fewer than 500 workers employed 57.4 million and large firms, 56.0 million. Smaller firms with fewer than 100 employees employed 41.0 million."

• "Over the past decade, small business net job creation fluctuated between 60 and 80 percent. In the most recent year with data (2003), employer firms with fewer than 500 employees created 1,990,326 net new jobs, whereas large firms with 500 or more employees shed 994,667 net jobs."

• Small firms create more than 50 percent of nonfarm private GDP.

• 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.

• The international marketplace turns out not to be the exclusive domain of very large firms, as so many assume. Instead, small enterprises "made up 97 percent of all identified exporters and produced 28.6 percent of the known export value in FY 2004."

So, for a change, the conventional wisdom is actually correct. We are a nation of entrepreneurs, and small businesses matter a great deal to the U.S. economy. 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, how entrepreneurs and small businesses are treated by policymakers truly matters. And while what our federal elected officials do has a significant impact of entrepreneurship and the economy, so do the policies promulgated by state and local government officials. And that's where this report comes into play.

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 affecting investment, entrepreneurship, and business.

This eleventh annual Small Business Survival Index ties together 29 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.[1]

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

Measurement in the Small Business Survival Index: state's top capital gains tax rate on individuals.[2]

---

[1] Data Source: CCH Incorporated, *2006 State Tax Handbook*, the Federation of Tax Administrators (www.taxadmin.org), and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.

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

Measurement in the Small Business Survival Index: state's top corporate income tax rate.[3]

• **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.[4]

• **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").[5]

• **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").[6]

---

[2] Data Source: CCH Incorporated, *2006 State Tax Handbook*, the Federation of Tax Administrators (www.taxadmin.org), and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.
[3] Data Source: CCH Incorporated, *2006 State Tax Handbook*, the Federation of Tax Administrators (www.taxadmin.org), and state specific sources. Note: Corporate income tax rates reflect deductibility of federal income taxes in certain states.
[4] Data Source: CCH Incorporated, *2006 State Tax Handbook*, and state specific sources.
[5] Data Source: CCH Incorporated, *2006 State Tax Handbook*.
[6] Data Source: CCH Incorporated, *2006 State Tax Handbook*.

• **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").[7]

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

Measurement in the Small Business Survival Index: state and local property taxes (property taxes as a share of personal income).[8]

• **Sales, Gross Receipts and Excise Taxes.** State and local sales, gross receipts and excise (including 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).[9]

• **Death Taxes.** The federal government is phasing out the federal death tax. 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 inheritance or gift taxes, or have de-linked from the federal levy. Death taxes have several problems. In terms of fairness, individuals pay a staggering array of taxes, including on business earnings, over a lifetime, but then are socked with another tax on the total assets at death. High state death taxes offer incentives to move investment and business ventures to less taxing climates; foster wasteful expenditures on tax avoidance, estate planning and insurance; and force many businesses to be sold, borrowed against or closed down.

Measurement in the Small Business Survival Index: state death taxes (states levying estate or inheritance taxes receive a score of "1" and states that do not receive a score of "0").[10]

---

[7] Data Source: The Federation of Tax Administrators website at www.taxadmin.org.
[8] 2003-04 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.
[9] 2003-04 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.

• **Unemployment Tax Rates.** The unemployment tax on wages is another burden on entrepreneurs and business. High state unemployment tax rates increase the relative cost of labor versus capital, and provide incentives for labor-intensive businesses to flee from high-tax states to low-tax states.

Measurement in the Small Business Survival Index: unemployment tax rate is adjusted as follows: maximum state tax rate applied to state wage base as a share of state average wage.[11]

• **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").[12]

• **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").[13]

• **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").[14]

---

[10] Data Source: CCH Incorporated, *2006 State Tax Handbook*, "CCH Financial Planning Toolkit" at www.finance.cch.com, and a variety of news stories.
[11] Data Source: Latest data on maximum rates and taxable wage base from "CCH Business Owner's Toolkit" at http://www.toolkit.cch.com/text/P07_1294.asp, and 2005 average wages from the U.S. Bureau of Labor Statistics at http://www.bls.gov/bls/blswage.htm#State.
[12] Data source: "Small Group Health Insurance Market Guaranteed Issue 2005" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.kff.org.
[13] Data source: "Small Group Health Insurance Market Guaranteed Issue 2005" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.kff.org.

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

Measurement in the Small Business Survival Index: number of mandates imposed (state gets a score of 0.05 for each mandate imposed).[15]

• **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).[16]

• **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: state workers' compensation benefits per $100 of covered wages.[17]

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

Measurement in the Small Business Survival Index: state's crime rate per 100 residents.[18]

• **Right to Work.** A right-to-work state means that employees generally are not forced to become labor union members or pay dues to unions. Such worker freedoms offer a more dynamic, flexible workforce, and a more amenable environment for increased productivity and improved efficiency.

---

[14] Data source: "Small Group Health Insurance Market rate Restrictions, 2005" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.kff.org.
[15] Data source: "Health Insurance Mandates in the States 2006," prepared by Victoria Craig Bunce, JP Wieske, and Vlasta Prikazsky, Council for Affordable Health Insurance, March 2006.
[16] Data Source: Data for January to May 2006 from the U.S. Energy Information Administration, *Electric Power Monthly*, August 2006.
[17] Data Source: 2004 data from "Workers' Compensation: Benefits, Coverage, and Costs, 2004," National Academy of Social Insurance, July 2006.
[18] Data Source: 2004 data from the U.S. Federal Bureau of Investigation, *Crime in the United States 2004*.

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").[19]

• **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. After all, in the private sector, greater productivity, creativity and efficiency get rewarded, while such incentives are distinctly lacking in the public sector.

Measurement in the Small Business Survival Index: state and local government bureaucrats (full-time equivalent employees per 100 residents).[20]

• **Tax Limitation States.** Requiring supermajority votes from elected officials and/or approval from voters in order to increase or impose taxes, serve as checks on the growth of taxes and government in general. According to Americans for Tax Reform, both taxes and spending do in fact grow more slowly in tax limitation states, and economies expand faster in such states as well.

Measurement in the Small Business Survival Index: tax limitation status (states without some form of tax limitation check receive a score of "1," and states with some kind of tax limitation check receive a score of "0").[21]

• **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").[22]

• **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.

---

[19] Data Source: National Right to Work Legal Defense Foundation.
[20] Data Source: 2005 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[21] Source: National Conference of State Legislatures at www.ncsl.org.
[22] Steven Maguire and Nonna Noto, "Internet Taxation: Issues and Legislation in the 109th Congress," CRS Report for Congress, February 2, 2006.

Measurement in the Small Business Survival Index: state gas tax (dollars per gallon).[23]

• **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.[24]

• **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 should be much worse.)

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).[25]

• **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).[26]

• **Trend in State and Local Government Spending.** Obviously, taxes paid by entrepreneurs, businesses and the economy are directly tied to government spending. This first spending measure captures the recent trend in spending growth for each state. Basically, it attempts to answer the question: What direction is the state headed in when it comes to spending and taxes?

---

[23] Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," July 1, 2006, American Petroleum Institute.
[24] Data Source: U.S. Department of Labor, "Minimum Wage Laws in the States " at www.dol.gov., and the AFL-CIO at www.aflcio.org.
[25] Data Source: Harris Interactive, "2006 U.S. Chamber of Commerce State Liability Systems Ranking Study," U.S. Chamber Institute for Legal Reform, March 17, 2006. Note: This study did not include the District of Columbia, so D.C.'s score on the Index is underestimated.
[26] Source: U.S. Small Business Administration, Office of Advocacy, "State Regulatory Flexibility Model Legislative Initiative," May 2006.

Measurement in the Small Business Survival Index: index of the latest five-year growth rate in per capita state and local government expenditures.[27]

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

Measurement in the Small Business Survival Index: index of per capita state and local government expenditures.[28]

• **Protecting Private Property.** The June 2005 U.S. Supreme Court decision in the *Kelo v. City of New London* case ignited a firestorm of protests across the nation. Homeowners and small businesses came to realize just how vulnerable they were to losing their property. If the government decided it could get what it perceived to be a better deal in terms of economic development and tax revenue by taking homes and businesses through the power of eminent domain, and turning that property over to other private parties, then that was mistakenly deemed to be constitutional by a narrow Supreme Court majority. That same majority, however, acknowledged that each state was free to restrict such abuses of eminent domain. In fact, the first duty of government is to protect property, not steal it. In addition, the enforcement of private property rights by government is foundational for any economy. In the end, economic development is hampered when government fails to protect private property.

Measurement in the Small Business Survival Index: constitutional protections of private property are scored according to the provisions from each state's constitution dealing with eminent domain powers (Scores: "0" when eminent domain is limited to only "public use" and there are clear restrictions/definitions and/or general prohibitions against using eminent domain for "private use"; "1" when eminent domain is simply limited to "public use"; "2" when eminent domain is allowed for a "public purpose" or when "public use" provision presents potential loopholes; or "3" when eminent domain is allowed for private use, economic development or vague blight purposes).[29]

As seen above, each of the 29 measures included in this year's Small Business Survival Index is supported by sound economic reasoning and 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 various findings that show quite clearly why various measures are included in the Small Business Survival Index.

---

[27] Data Source: 2003-04 versus 1998-99 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[28] Data Source: 2003-04 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[29] Data Source: Institute for Justice, Castle Coalition, "Current State Constitutional Provisions About Eminent Domain," www.castlecoalition.org.

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.[30]

• 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:

[30] 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 group broke down as 68 percent of those with incomes between $317,000 and $499,999 had business activity; 77 percent between $500,000 and $999,999; and 83 percent with incomes of $1 million or more.

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.[31]

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 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 20 employees, the cost registered $7,647, which was 41% higher than the $5,411 per

[31] 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 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 Morrisey 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."

• The Employment Policies Institute released a May 2006 study by economist Joseph Sabia, University of Georgia, which was titled "The Effect of Minimum Wage Increases on Retail and Small Business Employment." This was a response to a study by the Fiscal Policy Institute claiming that increases in the minimum wage at the state level do not have negative employment effects. The overview of the EPI study explained:

> "While the FPI study has been frequently cited by supporters of increases in the minimum wage, the study is based on faulty statistical methods, and its results provide an inaccurate picture of the effect of state-level minimum wage increases. This paper, by Dr. Joseph Sabia of the University of Georgia, presents a more careful and methodologically rigorous analysis of state-level minimum wage increases. His results confirm the consensus economic

opinion that increases in the minimum wage decrease employment, particularly for low-skilled and entry-level employees.

"Using government data from January 1979 to December 2004, the effect of minimum wage increases on retail and small business employment is estimated. Specifically, a 10 percent increase in the minimum wage is associated with a 0.9 to 1.1 percent decline in retail employment and a 0.8 to 1.2 percent reduction in small business employment.

"These employment effects grow even larger for the low-skilled employees most affected by minimum wage increases. A 10 percent increase in the minimum wage is associated with a 2.7 to 4.3 percent decline in teen employment in the retail sector, a 5 percent decline in average retail hours worked by all teenagers, and a 2.8 percent decline in retail hours worked by teenagers who remain employed in retail jobs.

"These results increase in magnitude when focusing on the effect on small businesses. A 10 percent increase in the minimum wage is associated with a 4.6 to 9.0 percent decline in teenage employment in small businesses and a 4.8 to 8.8 percent reduction in hours worked by teens in the retail sector."

On Workers' Compensation Costs

• In a September 2006 report for the National Center for Policy Analysis titled "Workers' Compensation: Rx for Policy Reform," N. Michael Helvacian reported: "Though workplaces became much safer in the 20th century, and job-related injuries declined, the soaring claim costs of state-mandated workers' compensation insurance has offset the decline in injuries. As a result, employers face increasingly higher insurance premiums and self-insurance costs, which reached nearly $60 billion in 2000. Although the average cost of workers' compensation premiums nationwide is less than 3 percent of payroll, premiums vary widely by industry. In high-risk industries, workers' compensation costs are often greater than health insurance premiums or Social Security payroll taxes. Workers implicitly pay part of these costs through reduced wages. Costs are increasing because state systems provide incentives for employers, employees and others to behave in ways that cause costs to be higher and workplaces to be less safe than they otherwise could be."

As for small businesses, Helvacian noted: "Insurance premiums, especially for small employers, are not fully experienced-rated; as a result, firms that improve workplace safety cannot reap the full rewards and others are not penalized for poor safety practices." In addition, he pointed out: "Workers' compensation premium rates are highly regulated in some states, and insurance markets are not as competitive as they could be; as a result, many small firms pay more than necessary for coverage. (For example, average premiums as a percentage of payroll are 50 percent higher for firms of less than 500 employees than for larger firms.)"

• Inc.com reported the following on September 23, 2004: "According to a recent survey by the National Federation of Independent Business, workers' compensation ranks as the third biggest problem facing small firms today, with about a third of the respondents describing it as a critical problem… The issue tends to be localized, because each state governs workers' compensation premiums differently." The story noted later on: "The premiums charged are driven by the number of claims and the average claim size, which reflects the cost of medical treatment for job-related injuries, as well as litigation and administrative costs."

Tallying Up the Index

So, taxes and regulations matter a great deal to entrepreneurs, small businesses and the economy in general. The Small Business Survival Index makes clear that government-imposed or government-related costs have a deep impact on the entrepreneurial sector of our economy.

As for how the final Small Business Survival Index score is tallied, the 29 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 2006 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 2006:

Small Business Survival Index 2006: State Rankings

Rank	State	SBSI	Rank	State	SBSI
1	South Dakota	26.360	26	Utah	50.095
2	Nevada	29.915	27	Wisconsin	51.479
3	Wyoming	35.840	28	Maryland	51.845
4	Alabama	40.328	29	New Mexico	52.510
5	Washington	40.420	30	Montana	53.898
6	Florida	40.819	31	Nebraska	54.220
7	Mississippi	41.088	32	Connecticut	54.250
8	Colorado	42.680	33	Louisiana	54.270
9	Texas	42.710	34	Idaho	54.520
10	Michigan	42.742	35	Kansas	54.800
11	South Carolina	44.558	36	Kentucky	56.265
12	Indiana	44.870	37	West Virginia	56.660
13	Tennessee	44.974	38	Ohio	56.730
14	Virginia	45.456	39	Oregon	57.059
15	Arizona	45.748	40	North Carolina	57.482
16	Pennsylvania	45.863	41	Iowa	57.760
17	Alaska	46.770	42	Vermont	59.480
18	New Hampshire	47.256	43	Massachusetts	61.055
19	Delaware	47.310	44	Hawaii	62.608
20	Arkansas	48.158	45	New York	62.654
21	Illinois	48.494	46	Minnesota	63.590
22	Missouri	49.242	47	Maine	63.993
23	Oklahoma	49.460	48	Rhode Island	64.970
24	North Dakota	49.850	49	California	65.117
25	Georgia	49.903	50	New Jersey	65.345
			51	Dist. of Columbia	75.420

* (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. Putting aside the political rhetoric, just how friendly or unfriendly are the policies that elected officials actually implement toward entrepreneurship and small business?

In terms of their policy environments, the most entrepreneur-friendly states under the Small Business Survival Index 2006 are: 1) South Dakota, 2) Nevada, 3) Wyoming, 4) Alabama, 5) Washington, 6) Florida, 7) Mississippi, 8) Colorado, 9) Texas, 10) Michigan, 11) South Carolina, 12) Indiana, 13) Tennessee, 14) Virginia, and 15) Arizona. In contrast, the most anti-entrepreneur policy environments are offered by the following: 37) West Virginia, 38) Ohio, 39) Oregon, 40) North Carolina, 41) Iowa, 42) Vermont, 43) Massachusetts, 44) Hawaii, 45) New York, 46) Minnesota, 47) Maine, 48) Rhode Island, 49) California, 50) New Jersey 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 worse.)

Where the People Are Trending

Again, it needs to be recognized that countless issues play 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 to and from among the states.

In terms of population growth, from 2000 to 2005, total U.S. population grew by 5.3%. As for the top 25 states in the 2006 Index, population growth over this period registered 6.5%, while among the bottom 26 (including the District of Columbia), population growth registered 4.1%. Therefore, the top 25 states on the Index grew 58.5% faster than the bottom 26 on the Index over the period of 2000 to 2005.

Net domestic or internal migration is movement of people between the states, that is, excluding births, deaths and international migration. From 2000 to 2005, the top 25 states on the Small Business Survival Index netted a 2.14 million increase in population at the expense of the bottom 25 states plus the District. While nine states of the top 25 experienced negative net internal migration over this period, 15 states in the bottom 25 plus D.C. did so.

It should not be surprising that job growth has come in much faster in the states in the top half versus those in the bottom half on the Small Business Survival Index 2006. From July 2003 to July 2006, for example, job growth registered 5.3% in the top 25 states in the Index, compared to 3.4% in the bottom 25 and the District of Columbia. That means that the rate of job creation during that period was 71% faster in the top 25 states versus the lower 25 states and D.C.

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 opportunity.

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 2006
Appendix A: Alphabetical Listing of States

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corp. Income Tax Rate	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 Mand	Elec. Util. Costs	Work Comp.	Crime Rate	Right to Work	Bcrts.	TL	Int Tax	Gas Tax	State Min. Wage	State Liab.	Reg Flex	Spend Trend	Spend Per Capita	EmD	SBSI
AL	3.25	4.25	4.225	0	0	0	1	1.33	3.70	0	1.51	1	0	0.33	0.9	0.79	1.02	4.45	0	6	1	0	0.203	0.00	2.4	1	0.99	0.89	0	40.238
AK	0	0	9.4	0	0	1	0	3.84	1.42	0	3.63	1	0	0.33	1.2	1.48	1.84	4.02	1	7.79	1	0	0.08	2.00	1.7	0.5	0.57	1.97	1	46.770
AZ	5.04	5.04	6.968	0	0	0	1	2.96	4.45	0	1.08	1	1	0.33	1.45	0.91	0.7	5.84	0	4.74	0	0	0.19	0.00	1.4	0	0.84	0.81	0	45.748
AR	7	4.9	6.5	0	0	0	0	1.38	4.59	0	2.29	1	0	0.33	2	0.74	0.7	4.51	0	5.76	0	0	0.218	1.10	1.9	0.5	0.97	0.77	1	48.158
CA	10.3	10.3	8.84	1.5	1	1	0	2.73	3.32	0	1.02	1	0	0.33	2.45	1.4	1.91	3.97	1	4.9	0	0	0.447	1.60	2.1	0.5	1.32	1.18	1	65.117
CO	4.63	4.63	4.63	0	1	0	0	2.84	2.88	0	1.34	1	1	0.33	1.85	0.92	1.01	4.29	1	5.36	0	0	0.22	0.00	1.3	0.5	0.98	0.97	0	42.680
CT	5	5	7.5	0	1	0	1	4.29	2.80	1	2.01	1	1	0.66	2.5	1.67	0.83	2.91	1	5.28	1	0	0.45	2.25	1.3	0	0.73	1.07	1	54.250
DE	5.95	5.95	8.7	0	0	0	1	1.53	0.95	0	1.85	1	1	0.33	1.2	0.93	0.92	3.73	1	5.59	0	0	0.23	1.00	0.9	0.5	0.97	1.08	1	47.310
DC	9	9	9.975	9.975	0	0	1	3.63	3.97	1	1.06	1	0	0	0.85	1.08	0.36	6.23	1	8.35	1	0	0.2	1.85	NA	1	0.91	1.98	1	75.420
FL	0	0	5.5	0	0	1	0	3.38	4.52	0	1.1	1	1	0.33	2.45	1.22	1.13	4.89	0	4.74	1	0	0.319	1.25	1.8	0.5	0.83	0.86	2	40.819
GA	6	6	6	0	0	0	1	2.95	3.26	0	1.45	1	0	0.33	1.95	0.89	0.82	4.72	0	5.5	1	0	0.263	0.00	1.6	0.5	0.82	0.85	3	49.903
HI	8.25	7.25	6.4	0	0	0	1	1.75	5.94	0	4.96	1	1	0	1.1	2.42	1.44	5.05	1	5.38	1	1	0.318	1.60	2.1	0	0.64	1.01	1	62.608
ID	7.8	7.8	7.6	0	0	0	0	2.89	3.22	0	4.77	1	0	0.33	0.65	0.6	1.24	3.04	0	5.4	1	0	0.25	0.00	1.4	1	0.75	0.78	3	54.520
IL	3	3	7.3	1.5	0	0	0	4.05	3.11	1	2.49	1	0	0.33	1.9	0.8	0.94	3.73	1	4.99	1	0	0.374	1.35	2.1	0.5	1.06	0.97	1	48.494
IN	3.4	3.4	8.5	0	0	0	0	3.23	3.29	1	1.15	1	0	0.33	1.7	0.76	0.63	3.72	1	5.31	1	0	0.31	0.00	1.4	0	0.92	0.82	2	44.870
IA	5.837	7.633	9.9	0	1	1	0	3.48	3.27	1	5.27	1	0	0.33	1.15	0.8	1	3.18	0	6.27	1	0	0.22	0.00	1.2	0.5	0.82	0.9	1	57.760
KS	6.45	6.45	7.35	0	0	0	1	3.82	3.52	1	1.74	1	0	0.33	1.85	0.78	0.89	4.35	0	6.62	1	0	0.25	0.00	1.4	1	1.13	0.87	2	54.800
KY	6	6	7	7	0	0	1	1.89	3.40	1	2.33	1	0	0.33	1.65	0.59	1.38	2.78	1	5.71	1	0	0.185	0.00	1.8	0.5	0.88	0.84	1	56.265
LA	3.9	5.1	5.2	5.2	0	0	1	1.84	5.43	1	1.38	1	0	0.33	2	0.97	1.02	5.05	0	6.26	0	0	0.2	0.00	2.6	1	0.9	0.89	2	54.270
ME	8.5	8.5	8.93	0	1	1	0	5.31	2.83	1	1.91	1	1	0.66	2.2	1.28	1.48	2.51	1	5.75	1	0	0.283	1.60	1.5	0.5	1.26	0.99	1	63.993
MD	4.75	4.75	7	0	1	0	1	2.73	2.14	1	1.68	1	0	0.66	2.95	0.98	0.8	4.34	1	4.97	1	0	0.235	1.00	1.5	0.5	0.96	0.9	3	51.845
MA	5.3	5.3	9.5	4.5	0	0	0	3.63	1.87	1	3.34	1	1	0.66	2	1.84	0.69	2.92	1	5.04	1	0	0.235	1.60	1.7	0.5	1.25	1.18	3	61.055
MI	3.9	3.9	1.9	1.9	0	0	0	3.70	3.08	0	2.32	1	0	0.33	1.25	0.96	0.91	3.55	1	4.89	1	0	0.352	1.80	1.4	0.5	1.11	0.99	1	42.742
MN	7.85	7.85	9.8	0	1	1	0	2.67	3.21	1	6.54	1	0	0.33	3.1	0.78	0.9	3.31	1	5.25	1	0	0.22	1.00	1.4	0.5	0.81	1.07	1	63.590
MS	5	0	5	0	0	0	1	2.61	4.20	0	1.3	1	1	0.33	1.4	0.99	1.06	3.77	0	6.46	0	0	0.188	0.00	2.4	0.5	1.01	0.87	1	41.088
MO	6	6	5.156	0	0	0	1	2.45	3.40	0	2.48	1	0	0.33	1.95	0.69	1.32	4.39	1	5.49	0	0	0.176	0.00	1.7	0	0.91	0.8	3	49.242
MT	6.9	6.9	6.75	0	0	0	1	3.74	0.95	0	4.65	1	0	0.33	1.95	0.79	2	3.23	1	5.93	1	0	0.278	0.00	1.8	1	0.83	0.87	1	53.898
NE	6.84	6.84	7.81	0	1	0	1	3.55	3.59	1	1.3	1	0	0.33	1.5	0.66	1.05	3.83	0	6.34	1	0	0.28	0.00	1.1	1	1.16	1.04	1	54.220
NV	0	0	0	0	0	0	0	2.72	5.24	0	3.73	0	0	0.33	2.45	1.05	0.86	4.82	0	4.16	0	0	0.325	0.00	1.8	0	0.53	0.9	1	29.915
NH	0	0	8.5	8.5	0	0	0	5.30	1.14	0	1.37	1	1	0.66	1.7	1.7	0.91	2.21	1	5.28	1	1	0.206	0.00	1.4	0.5	1.05	0.83	1	47.256
NJ	8.97	8.97	9	0	0	1	1	5.04	2.55	1	3.18	1	0	0.66	2	1.24	0.77	2.78	1	5.75	1	0	0.145	2.00	1.6	0.5	1.11	1.08	2	65.345
NM	5.8	3.48	7.6	0	0	0	1	1.69	4.85	0	2.91	1	0	0.33	2.25	0.88	0.92	4.89	1	6.64	1	1	0.18	0.00	1.9	0.5	0.73	0.96	1	52.510
NY	6.85	6.85	8.775	0	1	1	1	4.38	3.64	1	1.72	1	0	1	2.3	1.55	0.82	2.64	1	6.15	1	0	0.439	1.60	1.5	0	0.97	1.47	3	62.654
NC	8.25	8.25	6.9	0	0	0	1	2.43	3.07	1	3.43	1	1	0.33	2.2	0.88	0.92	4.61	0	5.57	1	0	0.302	0.00	1.3	0.5	0.68	0.86	2	57.482
ND	5.54	5.54	7	0	0	0	0	3.12	3.32	0	6.21	1	0	0.33	1.65	0.68	0.94	2	0	6.47	1	1	0.23	0.00	1.3	0	0.61	0.91	1	49.850
OH	7.185	7.185	8.5	0	0	0	1	3.15	3.02	1	1.99	1	0	0.33	1.25	0.89	1.3	4.02	1	5.41	1	1	0.28	0.00	1.4	0.5	1.31	1.01	2	56.730
OK	6.25	6.25	6	0	0	0	1	1.67	3.29	1	3.56	1	0	0.33	1.8	0.85	1.38	4.74	0	5.79	0	0	0.17	0.00	1.7	0	0.91	0.77	1	49.460
OR	9	9	6.6	0	0	0	1	3.15	0.55	1	4.06	1	0	0.66	1.55	0.77	0.92	4.93	1	5.01	0	0	0.249	2.35	1.6	0	0.64	1.02	1	57.059
PA	3.07	3.07	9.99	0	0	0	0	3.03	2.70	1	3.01	1	0	0	1.85	1	1.26	2.83	1	4.64	1	0	0.323	0.00	1.6	0.5	1	0.99	1	45.863

Small Business Survival Index 2006
Appendix A: Alphabetical Listing of States
(continued)

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corp. Income Tax Rate	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 Mand	Elec. Util. Costs	Work Comp.	Crime Rate	Right to Work	Bcrts.	TL	Int Tax	Gas Tax	State Min. Wage	State Liab.	Reg Flex	Spend Trend	Spend Per Capita	EmD	SBSI
RI	9.9	5	9	0	1	0	1	4.76	3.19	1	4.02	1	1	0.33	2	1.66	0.86	3.13	1	4.65	1	0	0.31	1.95	1.5	0.5	1.14	1.07	3	64.970
SC	7	3.92	5	0	0	0	0	3.25	3.09	0	1.32	1	0	0.33	1.4	0.8	1.29	5.29	0	5.74	1	0	0.168	0.00	1.9	0	1.12	0.94	0	44.558
SD	0	0	0	0	0	0	0	3.03	4.06	0	1.68	1	0	0.33	1.4	0.76	0.77	2.11	0	5.62	0	1	0.24	0.00	1.3	0.5	0.79	0.77	1	26.360
TN	0	0	6.5	6.5	0	0	0	2.04	4.56	1	2.1	1	0	0.33	1.95	0.81	1.04	5	0	5.4	1	0	0.214	0.00	1.7	1	0.91	0.92	1	44.974
TX	0	0	4.5	4.5	0	0	0	4.08	3.87	0	2.03	1	0	0.33	2.55	1.18	0.59	5.03	0	5.65	1	1	0.2	0.00	1.9	0.5	0.97	0.83	1	42.710
UT	5.775	6.475	5	0	0	0	1	2.59	3.77	0	6.58	1	0	0.33	1.05	0.69	0.67	4.32	0	5.17	1	0	0.245	0.00	1.4	0.5	0.64	0.89	1	50.095
VT	9.5	5.7	8.9	0	0	0	0	4.81	3.08	1	1.35	1	1	1	1.15	1.35	1.33	2.42	1	6.33	1	0	0.2	2.10	1.5	0.5	1.26	1	1	59.480
VA	5.75	5.75	6	0	0	0	1	2.85	2.34	1	1.29	1	0	0	2.7	0.79	0.59	2.95	0	5.52	1	0	0.196	0.00	1.1	0	0.8	0.83	2	45.456
WA	0	0	0	0	0	0	0	2.94	5.55	1	4.02	1	0	0.66	2.4	0.7	1.8	5.19	1	5.25	1	1	0.34	2.48	1.6	0.5	0.86	1.13	0	40.420
WV	6.5	6.5	9	0	1	0	1	2.09	3.94	0	1.96	1	0	0.33	1.75	0.59	3.76	2.78	1	5.42	1	0	0.27	0.70	2.7	0.5	1	0.87	1	56.660
WI	6.75	2.7	7.9	0	1	0	0	4.20	2.81	1	2.89	1	0	0.33	1.5	0.95	1.15	2.87	1	5.31	1	1	0.329	1.35	1.5	0	0.94	1	1	51.479
WY	0	0	0	0	0	0	0	3.94	3.83	0	4.69	1	0	0.33	1.6	0.61	1.63	3.56	0	8.59	1	0	0.14	0.00	1.4	1	1.22	1.3	0	35.840

* (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 2006
Appendix B: Ranked According to Index Score

Rank/ State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corp. Income Tax Rate	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 Mand	Elec. Util. Costs	Work Comp.	Crime Rate	Right to Work	Bcrts.	TL	Int Tax	Gas Tax	State Min. Wage	State Liab.	Reg Flex	Spend Trend	Spend Per Capita	EmD	SBSI
1. SD	0	0	0	0	0	0	0	3.03	4.06	0	1.68	1	0	0.33	1.4	0.76	0.77	2.11	0	5.62	0	1	0.24	0.00	1.3	0.5	0.79	0.77	1	26.360
2. NV	0	0	0	0	0	0	0	2.72	5.24	0	3.73	0	0	0.33	2.45	1.05	0.86	4.82	0	4.16	0	0	0.325	0.00	1.8	0	0.53	0.9	1	29.915
3. WY	0	0	0	0	0	0	0	3.94	3.83	0	4.69	1	0	0.33	1.6	0.61	1.63	3.56	0	8.59	1	0	0.14	0.00	1.4	1	1.22	1.3	0	35.840
4. AL	3.25	4.25	4.225	0	0	0	1	1.33	3.70	0	1.51	1	0	0.33	0.9	0.79	1.02	4.45	0	6	1	0	0.203	0.00	2.4	1	0.99	0.89	0	40.238
5. WA	0	0	0	0	0	0	0	2.94	5.55	1	4.02	1	0	0.66	2.4	0.7	1.8	5.19	1	5.25	1	1	0.34	2.48	1.6	0.5	0.86	1.13	0	40.420
6. FL	0	0	5.5	0	0	1	0	3.38	4.52	0	1.1	1	1	0.33	2.45	1.22	1.13	4.89	0	4.74	1	0	0.319	1.25	1.8	0.5	0.83	0.86	2	40.819
7. MS	5	0	5	0	0	0	1	2.61	4.20	0	1.3	1	1	0.33	1.4	0.99	1.06	3.77	0	6.46	0	0	0.188	0.00	2.4	0.5	1.01	0.87	1	41.088
8. CO	4.63	4.63	4.63	0	1	0	0	2.84	2.88	0	1.34	1	1	0.33	1.85	0.92	1.01	4.29	1	5.36	0	0	0.22	0.00	1.3	0.5	0.98	0.97	0	42.680
9. TX	0	0	4.5	4.5	0	0	0	4.08	3.87	0	2.03	1	0	0.33	2.55	1.18	0.59	5.03	0	5.65	1	1	0.2	0.00	1.9	0.5	0.97	0.83	1	42.710
10. MI	3.9	3.9	1.9	1.9	0	0	0	3.70	3.08	0	2.32	1	0	0.33	1.25	0.96	0.91	3.55	1	4.89	1	0	0.352	1.80	1.4	0.5	1.11	0.99	1	42.742
11. SC	7	3.92	5	0	0	0	0	3.25	3.09	0	1.32	1	0	0.33	1.4	0.8	1.29	5.29	0	5.74	1	0	0.168	0.00	1.9	0	1.12	0.94	0	44.558
12. IN	3.4	3.4	8.5	0	0	0	0	3.23	3.29	1	1.15	1	0	0.33	1.7	0.76	0.63	3.72	1	5.31	1	0	0.31	0.00	1.4	0	0.92	0.82	2	44.870
13. TN	0	0	6.5	6.5	0	0	0	2.04	4.56	1	2.1	1	0	0.33	1.95	0.81	1.04	5	0	5.4	1	0	0.214	0.00	1.7	1	0.91	0.92	1	44.974
14. VA	5.75	5.75	6	0	0	0	1	2.85	2.34	1	1.29	1	0	0	2.7	0.79	0.59	2.95	0	5.52	1	0	0.196	0.00	1.1	0	0.8	0.83	2	45.456
15. AZ	5.04	5.04	6.968	0	0	0	1	2.96	4.45	0	1.08	1	1	0.33	1.45	0.91	0.7	5.84	0	4.74	0	0	0.19	0.00	1.4	0	0.84	0.81	0	45.748
16. PA	3.07	3.07	9.99	0	0	0	0	3.03	2.70	1	3.01	1	0	0	1.85	1	1.26	2.83	1	4.64	1	0	0.323	0.00	1.6	0.5	1	0.99	1	45.863
17. AK	0	0	9.4	0	0	1	0	3.84	1.42	0	3.63	1	0	0.33	1.2	1.48	1.84	4.02	1	7.79	1	0	0.08	2.00	1.7	0.5	0.57	1.97	1	46.770
18. NH	0	0	8.5	8.5	0	0	0	5.30	1.14	0	1.37	1	1	0.66	1.7	1.7	0.91	2.21	1	5.28	1	1	0.206	0.00	1.4	0.5	1.05	0.83	1	47.256
19. DE	5.95	5.95	8.7	0	0	0	1	1.53	0.95	0	1.85	1	1	0.33	1.2	0.93	0.92	3.73	1	5.59	0	0	0.23	1.00	0.9	0.5	0.97	1.08	1	47.310
20. AR	7	4.9	6.5	0	0	0	0	1.38	4.59	0	2.29	1	0	0.33	2	0.74	0.7	4.51	0	5.76	0	0	0.218	1.10	1.9	0.5	0.97	0.77	1	48.158
21. IL	3	3	7.3	1.5	0	0	0	4.05	3.11	1	2.49	1	0	0.33	1.9	0.8	0.94	3.73	1	4.99	1	0	0.374	1.35	2.1	0.5	1.06	0.97	1	48.494
22. MO	6	6	5.156	0	0	0	1	2.45	3.40	0	2.48	1	0	0.33	1.95	0.69	1.32	4.39	1	5.49	0	0	0.176	0.00	1.7	0	0.91	0.8	3	49.242
23. OK	6.25	6.25	6	0	0	0	1	1.67	3.29	1	3.56	1	0	0.33	1.8	0.85	1.38	4.74	0	5.79	0	0	0.17	0.00	1.7	0	0.91	0.77	1	49.460
24. ND	5.54	5.54	7	0	0	0	0	3.12	3.32	0	6.21	1	0	0.33	1.65	0.68	0.94	2	0	6.47	1	1	0.23	0.00	1.3	0	0.61	0.91	1	49.850
25. GA	6	6	6	0	0	0	1	2.95	3.26	0	1.45	1	0	0.33	1.95	0.89	0.82	4.72	0	5.5	1	0	0.263	0.00	1.6	0.5	0.82	0.85	3	49.903
26. UT	5.775	6.475	5	0	0	0	1	2.59	3.77	0	6.58	1	0	0.33	1.05	0.69	0.67	4.32	0	5.17	1	0	0.245	0.00	1.4	0.5	0.64	0.89	1	50.095
27. WI	6.75	2.7	7.9	0	1	0	0	4.20	2.81	1	2.89	1	0	0.33	1.5	0.95	1.15	2.87	1	5.31	1	1	0.329	1.35	1.5	0	0.94	1	1	51.479
28. MD	4.75	4.75	7	0	1	0	1	2.73	2.14	1	1.68	1	0	0.66	2.95	0.98	0.8	4.34	1	4.97	1	0	0.235	1.00	1.5	0.5	0.96	0.9	3	51.845
29. NM	5.8	3.48	7.6	0	0	0	1	1.69	4.85	0	2.91	1	0	0.33	2.25	0.88	0.92	4.89	1	6.64	1	1	0.18	0.00	1.9	0.5	0.73	0.96	1	52.510
30. MT	6.9	6.9	6.75	0	0	0	1	3.74	0.95	0	4.65	1	0	0.33	1.95	0.79	2	3.23	1	5.93	1	0	0.278	0.00	1.8	1	0.83	0.87	1	53.898
31. NE	6.84	6.84	7.81	0	1	0	1	3.55	3.59	1	1.3	1	0	0.33	1.5	0.66	1.05	3.83	0	6.34	1	0	0.28	0.00	1.1	1	1.16	1.04	1	54.220
32. CT	5	5	7.5	0	1	0	1	4.29	2.80	1	2.01	1	1	0.66	2.5	1.67	0.83	2.91	1	5.28	1	0	0.45	2.25	1.3	0	0.73	1.07	1	54.250
33. LA	3.9	5.1	5.2	5.2	0	0	1	1.84	5.43	1	1.38	1	0	0.33	2	0.97	1.02	5.05	0	6.26	0	0	0.2	0.00	2.6	1	0.9	0.89	2	54.270
34. ID	7.8	7.8	7.6	0	0	0	0	2.89	3.22	0	4.77	1	0	0.33	0.65	0.6	1.24	3.04	0	5.4	1	0	0.25	0.00	1.4	1	0.75	0.78	3	54.520
35. KS	6.45	6.45	7.35	0	0	0	1	3.82	3.52	1	1.74	1	0	0.33	1.85	0.78	0.89	4.35	0	6.62	1	0	0.25	0.00	1.4	1	1.13	0.87	2	54.800
36. KY	6	6	7	7	0	0	1	1.89	3.40	1	2.33	1	0	0.33	1.65	0.59	1.38	2.78	1	5.71	1	0	0.185	0.00	1.8	0.5	0.88	0.84	1	56.265
37. WV	6.5	6.5	9	0	1	0	1	2.09	3.94	0	1.96	1	0	0.33	1.75	0.59	3.76	2.78	1	5.42	1	0	0.27	0.70	2.7	0.5	1	0.87	1	56.660
38. OH	7.185	7.185	8.5	0	0	0	1	3.15	3.02	1	1.99	1	0	0.33	1.25	0.89	1.3	4.02	1	5.41	1	1	0.28	0.00	1.4	0.5	1.31	1.01	2	56.730
39. OR	9	9	6.6	0	0	0	1	3.15	0.55	1	4.06	1	0	0.66	1.55	0.77	0.92	4.93	1	5.01	0	0	0.249	2.35	1.6	0	0.64	1.02	1	57.059
40. NC	8.25	8.25	6.9	0	0	0	1	2.43	3.07	1	3.43	1	1	0.33	2.2	0.88	0.92	4.61	0	5.57	1	0	0.302	0.00	1.3	0.5	0.68	0.86	2	57.482
41. IA	5.837	7.633	9.9	0	1	1	0	3.48	3.27	1	5.27	1	0	0.33	1.15	0.8	1	3.18	0	6.27	1	0	0.22	0.00	1.2	0.5	0.82	0.9	1	57.760

Small Business Survival Index 2006
Appendix B: Ranked According to Index Score
(continued)

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corp. Income Tax Rate	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 Mand	Elec. Util. Costs	Work Comp.	Crime Rate	Right to Work	Bcrts.	TL	Int Tax	Gas Tax	State Min. Wage	State Liab.	Reg Flex	Spend Trend	Spend Per Capita	EmD	SBSI
42. VT	9.5	5.7	8.9	0	0	0	0	4.81	3.08	1	1.35	1	1	1	1.15	1.35	1.33	2.42	1	6.33	1	0	0.2	2.10	1.5	0.5	1.26	1	1	59.480
43. MA	5.3	5.3	9.5	4.5	0	0	0	3.63	1.87	1	3.34	1	1	0.66	2	1.84	0.69	2.92	1	5.04	1	0	0.235	1.60	1.7	0.5	1.25	1.18	3	61.055
44. HI	8.25	7.25	6.4	0	0	0	1	1.75	5.94	0	4.96	1	1	0	1.1	2.42	1.44	5.05	1	5.38	1	1	0.318	1.60	2.1	0	0.64	1.01	1	62.608
45. NY	6.85	6.85	8.775	0	1	1	1	4.38	3.64	1	1.72	1	0	1	2.3	1.55	0.82	2.64	1	6.15	1	0	0.439	1.60	1.5	0	0.97	1.47	3	62.654
46. MN	7.85	7.85	9.8	0	1	1	0	2.67	3.21	1	6.54	1	0	0.33	3.1	0.78	0.9	3.31	1	5.25	1	0	0.22	1.00	1.4	0.5	0.81	1.07	1	63.590
47. ME	8.5	8.5	8.93	0	1	1	0	5.31	2.83	1	1.91	1	1	0.66	2.2	1.28	1.48	2.51	1	5.75	1	0	0.283	1.60	1.5	0.5	1.26	0.99	1	63.993
48. RI	9.9	5	9	0	1	0	1	4.76	3.19	1	4.02	1	1	0.33	2	1.66	0.86	3.13	1	4.65	1	0	0.31	1.95	1.5	0.5	1.14	1.07	3	64.970
49. CA	10.3	10.3	8.84	1.5	1	1	0	2.73	3.32	0	1.02	1	0	0.33	2.45	1.4	1.91	3.97	1	4.9	0	0	0.447	1.60	2.1	0.5	1.32	1.18	1	65.117
50. NJ	8.97	8.97	9	0	0	1	1	5.04	2.55	1	3.18	1	0	0.66	2	1.24	0.77	2.78	1	5.75	1	0	0.145	2.00	1.6	0.5	1.11	1.08	2	65.345
51. DC	9	9	9.975	9.975	0	0	1	3.63	3.97	1	1.06	1	0	0	0.85	1.08	0.36	6.23	1	8.35	1	0	0.2	1.85	NA	1	0.91	1.98	1	75.420

* (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 2006
Appendix C: State Rankings of Top Personal Income Tax Rates

Rank	State	Top PIT Rate	Rank	State	Top PIT Rate
1	Alaska	0.000	26	Iowa	5.837
1	Florida	0.000	27	Delaware	5.950
1	Nevada	0.000	28	Georgia	6.000
1	New Hampshire	0.000	28	Kentucky	6.000
1	South Dakota	0.000	28	Missouri	6.000
1	Tennessee	0.000	31	Oklahoma	6.250
1	Texas	0.000	32	Kansas	6.450
1	Washington	0.000	33	West Virginia	6.500
1	Wyoming	0.000	34	Wisconsin	6.750
10	Illinois	3.000	35	Nebraska	6.840
11	Pennsylvania	3.070	36	New York	6.850
12	Alabama	3.250	37	Montana	6.900
13	Indiana	3.400	38	Arkansas	7.000
14	Louisiana	3.900	38	South Carolina	7.000
14	Michigan	3.900	40	Ohio	7.185
16	Colorado	4.630	41	Idaho	7.800
17	Maryland	4.750	42	Minnesota	7.850
18	Connecticut	5.000	43	Hawaii	8.250
18	Mississippi	5.000	44	North Carolina	8.250
20	Arizona	5.040	45	Maine	8.500
21	Massachusetts	5.300	46	New Jersey	8.970
22	North Dakota	5.540	47	Dist. of Columbia	9.000
23	Virginia	5.750	48	Oregon	9.000
24	Utah	5.775	49	Vermont	9.500
25	New Mexico	5.800	50	Rhode Island	9.900
			51	California	10.300

Small Business Survival Index 2006
Appendix D: State Rankings of Top Capital Gains Tax Rates

Rank	State	CG Rate
1	Alaska	0.000
1	Florida	0.000
1	Mississippi	0.000
1	Nevada	0.000
1	New Hampshire	0.000
1	South Dakota	0.000
1	Tennessee	0.000
1	Texas	0.000
1	Washington	0.000
1	Wyoming	0.000
11	Wisconsin	2.700
12	Illinois	3.000
13	Pennsylvania	3.070
14	Indiana	3.400
15	New Mexico	3.480
16	Michigan	3.900
17	South Carolina	3.920
18	Alabama	4.250
19	Colorado	4.630
20	Maryland	4.750
21	Arkansas	4.900
22	Connecticut	5.000
22	Rhode Island	5.000
24	Arizona	5.040
25	Louisiana	5.100

Rank	State	CG Rate
26	Massachusetts	5.300
27	North Dakota	5.540
28	Vermont	5.700
29	Virginia	5.750
30	Delaware	5.950
31	Georgia	6.000
31	Kentucky	6.000
31	Missouri	6.000
34	Oklahoma	6.250
35	Kansas	6.450
36	Utah	6.475
37	West Virginia	6.500
38	Nebraska	6.840
39	New York	6.850
40	Montana	6.900
41	Ohio	7.185
42	Hawaii	7.250
43	Iowa	7.633
44	Idaho	7.800
45	Minnesota	7.850
46	North Carolina	8.250
47	Maine	8.500
48	New Jersey	8.970
49	Dist. of Columbia	9.000
50	Oregon	9.000
51	California	10.300

Small Business Survival Index 2006
Appendix E: State Rankings of Top Corporate Income Tax Rates

Rank	State	Top CIT Rate
1	Nevada	0.000
1	South Dakota	0.000
1	Washington	0.000
1	Wyoming	0.000
5	Michigan	1.900
6	Alabama	4.225
7	Texas	4.500
8	Colorado	4.630
9	Mississippi	5.000
9	South Carolina	5.000
9	Utah	5.000
12	Missouri	5.156
13	Louisiana	5.200
14	Florida	5.500
15	Georgia	6.000
15	Oklahoma	6.000
15	Virginia	6.000
18	Hawaii	6.400
19	Arkansas	6.500
19	Tennessee	6.500
21	Oregon	6.600
22	Montana	6.750
23	North Carolina	6.900
24	Arizona	6.968
25	Kentucky	7.000

Rank	State	Top CIT Rate
25	Maryland	7.000
25	North Dakota	7.000
28	Illinois	7.300
29	Kansas	7.350
30	Connecticut	7.500
31	Idaho	7.600
31	New Mexico	7.600
33	Nebraska	7.810
34	Wisconsin	7.900
35	Indiana	8.500
35	New Hampshire	8.500
35	Ohio	8.500
38	Delaware	8.700
39	New York	8.775
40	California	8.840
41	Vermont	8.900
42	Maine	8.930
43	New Jersey	9.000
43	Rhode Island	9.000
43	West Virginia	9.000
46	Alaska	9.400
47	Massachusetts	9.500
48	Minnesota	9.800
49	Iowa	9.900
50	Dist. of Columbia	9.975
51	Pennsylvania	9.990

Small Business Survival Index 2006
Appendix F: State Rankings of State and Local Property Taxes
(Property Taxes as a Share of Personal Income)

Rank	State	Prop. Taxes
1	Alabama	1.33
2	Arkansas	1.38
3	Delaware	1.53
4	Oklahoma	1.67
5	New Mexico	1.69
6	Hawaii	1.75
7	Louisiana	1.84
8	Kentucky	1.89
9	Tennessee	2.04
10	West Virginia	2.09
11	North Carolina	2.43
12	Missouri	2.45
13	Utah	2.59
14	Mississippi	2.61
15	Minnesota	2.67
16	Nevada	2.72
17	California	2.73
17	Maryland	2.73
19	Colorado	2.84
20	Virginia	2.85
21	Idaho	2.89
22	Washington	2.94
23	Georgia	2.95
24	Arizona	2.96
25	Pennsylvania	3.03

Rank	State	Prop. Taxes
25	South Dakota	3.03
27	North Dakota	3.12
28	Ohio	3.15
28	Oregon	3.15
30	Indiana	3.23
31	South Carolina	3.25
32	Florida	3.38
33	Iowa	3.48
34	Nebraska	3.55
35	Dist. of Columbia	3.63
35	Massachusetts	3.63
37	Michigan	3.70
38	Montana	3.74
39	Kansas	3.82
40	Alaska	3.84
41	Wyoming	3.94
42	Illinois	4.05
43	Texas	4.08
44	Wisconsin	4.20
45	Connecticut	4.29
46	New York	4.38
47	Rhode Island	4.76
48	Vermont	4.81
49	New Jersey	5.04
50	New Hampshire	5.30
51	Maine	5.31

Small Business Survival Index 2006

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	0.55	26	Indiana	3.29
2	Delaware	0.95	26	Oklahoma	3.29
2	Montana	0.95	28	California	3.32
4	New Hampshire	1.14	28	North Dakota	3.32
5	Alaska	1.42	30	Kentucky	3.40
6	Massachusetts	1.87	30	Missouri	3.40
7	Maryland	2.14	32	Kansas	3.52
8	Virginia	2.34	33	Nebraska	3.59
9	New Jersey	2.55	34	New York	3.64
10	Pennsylvania	2.70	35	Alabama	3.70
11	Connecticut	2.80	36	Utah	3.77
12	Wisconsin	2.81	37	Wyoming	3.83
13	Maine	2.83	38	Texas	3.87
14	Colorado	2.88	39	West Virginia	3.94
15	Ohio	3.02	40	Dist. of Columbia	3.97
16	North Carolina	3.07	41	South Dakota	4.06
17	Michigan	3.08	42	Mississippi	4.20
17	Vermont	3.08	43	Arizona	4.45
19	South Carolina	3.09	44	Florida	4.52
20	Illinois	3.11	45	Tennessee	4.56
21	Rhode Island	3.19	46	Arkansas	4.59
22	Minnesota	3.21	47	New Mexico	4.85
23	Idaho	3.22	48	Nevada	5.24
24	Georgia	3.26	49	Louisiana	5.43
25	Iowa	3.27	50	Washington	5.55
			51	Hawaii	5.94

Small Business Survival Index 2006
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
1	California	1.02
2	Dist. of Columbia	1.06
3	Arizona	1.08
4	Florida	1.10
5	Indiana	1.15
6	Virginia	1.29
7	Mississippi	1.30
7	Nebraska	1.30
9	South Carolina	1.32
10	Colorado	1.34
11	Vermont	1.35
12	New Hampshire	1.37
13	Louisiana	1.38
14	Georgia	1.45
15	Alabama	1.51
16	Maryland	1.68
16	South Dakota	1.68
18	New York	1.72
19	Kansas	1.74
20	Delaware	1.85
21	Maine	1.91
22	West Virginia	1.96
23	Ohio	1.99
24	Connecticut	2.01
25	Texas	2.03
26	Tennessee	2.10
27	Arkansas	2.29
28	Michigan	2.32
29	Kentucky	2.33
30	Missouri	2.48
31	Illinois	2.49
32	Wisconsin	2.89
33	New Mexico	2.91
34	Pennsylvania	3.01
35	New Jersey	3.18
36	Massachusetts	3.34
37	North Carolina	3.43
38	Oklahoma	3.56
39	Alaska	3.63
40	Nevada	3.73
41	Rhode Island	4.02
41	Washington	4.02
43	Oregon	4.06
44	Montana	4.65
45	Wyoming	4.69
46	Idaho	4.77
47	Hawaii	4.96
48	Iowa	5.27
49	North Dakota	6.21
50	Minnesota	6.54
51	Utah	6.58

Small Business Survival Index 2006
Appendix I: State Rankings of Number of Health Insurance Mandates
(0.05 for each mandate imposed tallied up to total score)

Rank	State	Hlth Mand	Rank	State	Hlth Mand
1	Idaho	0.65	26	Colorado	1.85
2	Dist. of Columbia	0.85	26	Kansas	1.85
3	Alabama	0.90	26	Pennsylvania	1.85
4	Utah	1.05	29	Illinois	1.90
5	Hawaii	1.10	30	Georgia	1.95
6	Iowa	1.15	30	Missouri	1.95
6	Vermont	1.15	30	Montana	1.95
8	Alaska	1.20	30	Tennessee	1.95
8	Delaware	1.20	34	Arkansas	2.00
10	Michigan	1.25	34	Louisiana	2.00
10	Ohio	1.25	34	Massachusetts	2.00
12	Mississippi	1.40	34	New Jersey	2.00
12	South Carolina	1.40	34	Rhode Island	2.00
12	South Dakota	1.40	39	Maine	2.20
15	Arizona	1.45	39	North Carolina	2.20
16	Nebraska	1.50	41	New Mexico	2.25
16	Wisconsin	1.50	42	New York	2.30
18	Oregon	1.55	43	Washington	2.40
19	Wyoming	1.60	44	California	2.45
20	Kentucky	1.65	44	Florida	2.45
20	North Dakota	1.65	44	Nevada	2.45
22	Indiana	1.70	47	Connecticut	2.50
22	New Hampshire	1.70	48	Texas	2.55
24	West Virginia	1.75	49	Virginia	2.70
25	Oklahoma	1.80	50	Maryland	2.95
			51	Minnesota	3.10

Small Business Survival Index 2006
Appendix J: State Rankings of Electric Utility Costs

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

Rank	State	Elec. Costs	Rank	State	Elec. Costs
1	Kentucky	0.59	26	Georgia	0.89
1	West Virginia	0.59	26	Ohio	0.89
3	Idaho	0.60	28	Arizona	0.91
4	Wyoming	0.61	29	Colorado	0.92
5	Nebraska	0.66	30	Delaware	0.93
6	North Dakota	0.68	31	Wisconsin	0.95
7	Missouri	0.69	32	Michigan	0.96
7	Utah	0.69	33	Louisiana	0.97
9	Washington	0.70	34	Maryland	0.98
10	Arkansas	0.74	35	Mississippi	0.99
11	Indiana	0.76	36	Pennsylvania	1.00
11	South Dakota	0.76	37	Nevada	1.05
13	Oregon	0.77	38	Dist. of Columbia	1.08
14	Kansas	0.78	39	Texas	1.18
14	Minnesota	0.78	40	Florida	1.22
16	Alabama	0.79	41	New Jersey	1.24
16	Montana	0.79	42	Maine	1.28
16	Virginia	0.79	43	Vermont	1.35
19	Illinois	0.80	44	California	1.40
19	Iowa	0.80	45	Alaska	1.48
19	South Carolina	0.80	46	New York	1.55
22	Tennessee	0.81	47	Rhode Island	1.66
23	Oklahoma	0.85	48	Connecticut	1.67
24	New Mexico	0.88	49	New Hampshire	1.70
24	North Carolina	0.88	50	Massachusetts	1.84
			51	Hawaii	2.42

Small Business Survival Index 2006
Appendix K: State Rankings of Workers' Compensation Benefits Per $100 of Covered Wages

Rank	State	Work Comp
1	Dist. of Columbia	0.36
2	Texas	0.59
2	Virginia	0.59
4	Indiana	0.63
5	Utah	0.67
6	Massachusetts	0.69
7	Arizona	0.70
7	Arkansas	0.70
9	New Jersey	0.77
9	South Dakota	0.77
11	Maryland	0.80
12	Georgia	0.82
12	New York	0.82
14	Connecticut	0.83
15	Nevada	0.86
15	Rhode Island	0.86
17	Kansas	0.89
18	Minnesota	0.90
19	Michigan	0.91
19	New Hampshire	0.91
21	Delaware	0.92
21	New Mexico	0.92
21	North Carolina	0.92
21	Oregon	0.92
25	Illinois	0.94

Rank	State	Work Comp
25	North Dakota	0.94
27	Iowa	1.00
28	Colorado	1.01
29	Alabama	1.02
29	Louisiana	1.02
31	Tennessee	1.04
32	Nebraska	1.05
33	Mississippi	1.06
34	Florida	1.13
35	Wisconsin	1.15
36	Idaho	1.24
37	Pennsylvania	1.26
38	South Carolina	1.29
39	Ohio	1.30
40	Missouri	1.32
41	Vermont	1.33
42	Kentucky	1.38
42	Oklahoma	1.38
44	Hawaii	1.44
45	Maine	1.48
46	Wyoming	1.63
47	Washington	1.80
48	Alaska	1.84
49	California	1.91
50	Montana	2.00
51	West Virginia	3.76

Small Business Survival Index 2006
Appendix L: State Rankings of Crime Rate

Rank	State	Crime Rate	Rank	State	Crime Rate
1	North Dakota	2.00	26	Nebraska	3.83
2	South Dakota	2.11	27	California	3.97
3	New Hampshire	2.21	28	Alaska	4.02
4	Vermont	2.42	28	Ohio	4.02
5	Maine	2.51	30	Colorado	4.29
6	New York	2.64	31	Utah	4.32
7	Kentucky	2.78	32	Maryland	4.34
7	New Jersey	2.78	33	Kansas	4.35
7	West Virginia	2.78	34	Missouri	4.39
10	Pennsylvania	2.83	35	Alabama	4.45
11	Wisconsin	2.87	36	Arkansas	4.51
12	Connecticut	2.91	37	North Carolina	4.61
13	Massachusetts	2.92	38	Georgia	4.72
14	Virginia	2.95	39	Oklahoma	4.74
15	Idaho	3.04	40	Nevada	4.82
16	Rhode Island	3.13	41	Florida	4.89
17	Iowa	3.18	41	New Mexico	4.89
18	Montana	3.23	43	Oregon	4.93
19	Minnesota	3.31	44	Tennessee	5.00
20	Michigan	3.55	45	Texas	5.03
21	Wyoming	3.56	46	Hawaii	5.05
22	Indiana	3.72	46	Louisiana	5.05
23	Delaware	3.73	48	Washington	5.19
23	Illinois	3.73	49	South Carolina	5.29
25	Mississippi	3.77	50	Arizona	5.84
			51	Dist. of Columbia	6.23

Small Business Survival Index 2006
Appendix M: State Rankings of the Number of Bureaucrats
(Full-Time-Equivalent State and Local Government Employees Per 100 Residents)

Rank	State	Bureaucrats	Rank	State	Bureaucrats
1	Nevada	4.16	26	Georgia	5.50
2	Pennsylvania	4.64	27	Virginia	5.52
3	Rhode Island	4.65	28	North Carolina	5.57
4	Arizona	4.74	29	Delaware	5.59
4	Florida	4.74	30	South Dakota	5.62
6	Michigan	4.89	31	Texas	5.65
7	California	4.90	32	Kentucky	5.71
8	Maryland	4.97	33	South Carolina	5.74
9	Illinois	4.99	34	Maine	5.75
10	Oregon	5.01	34	New Jersey	5.75
11	Massachusetts	5.04	36	Arkansas	5.76
12	Utah	5.17	37	Oklahoma	5.79
13	Minnesota	5.25	38	Montana	5.93
13	Washington	5.25	39	Alabama	6.00
15	Connecticut	5.28	40	New York	6.15
15	New Hampshire	5.28	41	Louisiana	6.26
17	Indiana	5.31	42	Iowa	6.27
17	Wisconsin	5.31	43	Vermont	6.33
19	Colorado	5.36	44	Nebraska	6.34
20	Hawaii	5.38	45	Mississippi	6.46
21	Idaho	5.40	46	North Dakota	6.47
21	Tennessee	5.40	47	Kansas	6.62
23	Ohio	5.41	48	New Mexico	6.64
24	West Virginia	5.42	49	Alaska	7.79
25	Missouri	5.49	50	Dist. of Columbia	8.35
			51	Wyoming	8.59

Small Business Survival Index 2006
Appendix N: State Rankings of State Gas Taxes
(Dollars Per Gallon of Gasoline)

Rank	State	Gas Tax	Rank	State	Gas Tax
1	Alaska	0.080	25	Massachusetts	0.235
2	Wyoming	0.140	27	South Dakota	0.240
3	New Jersey	0.145	28	Utah	0.245
4	South Carolina	0.168	29	Oregon	0.249
5	Oklahoma	0.170	30	Idaho	0.250
6	Missouri	0.176	30	Kansas	0.250
7	New Mexico	0.180	32	Georgia	0.263
8	Kentucky	0.185	33	West Virginia	0.270
9	Mississippi	0.188	34	Montana	0.278
10	Arizona	0.190	35	Nebraska	0.280
11	Virginia	0.196	35	Ohio	0.280
12	Dist. of Columbia	0.200	37	Maine	0.283
12	Louisiana	0.200	38	North Carolina	0.302
12	Texas	0.200	39	Indiana	0.310
12	Vermont	0.200	39	Rhode Island	0.310
16	Alabama	0.203	41	Hawaii	0.318
17	New Hampshire	0.206	42	Florida	0.319
18	Tennessee	0.214	43	Pennsylvania	0.323
19	Arkansas	0.218	44	Nevada	0.325
20	Colorado	0.220	45	Wisconsin	0.329
20	Iowa	0.220	46	Washington	0.340
20	Minnesota	0.220	47	Michigan	0.352
23	Delaware	0.230	48	Illinois	0.374
23	North Dakota	0.230	49	New York	0.439
25	Maryland	0.235	50	California	0.447
			51	Connecticut	0.450

Small Business Survival Index 2006

Appendix O: State Rankings of State and Local Government Five-Year Spending Trends, 1998-99 to 2003-04

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

Rank	State	Spend Trend
1	Nevada	0.53
2	Alaska	0.57
3	North Dakota	0.61
4	Hawaii	0.64
4	Oregon	0.64
4	Utah	0.64
7	North Carolina	0.68
8	Connecticut	0.73
8	New Mexico	0.73
10	Idaho	0.75
11	South Dakota	0.79
12	Virginia	0.80
13	Minnesota	0.81
14	Georgia	0.82
14	Iowa	0.82
16	Florida	0.83
16	Montana	0.83
18	Arizona	0.84
19	Washington	0.86
20	Kentucky	0.88
21	Louisiana	0.90
22	Dist. of Columbia	0.91
22	Missouri	0.91
22	Oklahoma	0.91
22	Tennessee	0.91

Rank	State	Spend Trend
26	Indiana	0.92
27	Wisconsin	0.94
28	Maryland	0.96
29	Arkansas	0.97
29	Delaware	0.97
29	New York	0.97
29	Texas	0.97
33	Colorado	0.98
34	Alabama	0.99
35	Pennsylvania	1.00
35	West Virginia	1.00
37	Mississippi	1.01
38	New Hampshire	1.05
39	Illinois	1.06
40	Michigan	1.11
40	New Jersey	1.11
42	South Carolina	1.12
43	Kansas	1.13
44	Rhode Island	1.14
45	Nebraska	1.16
46	Wyoming	1.22
47	Massachusetts	1.25
48	Maine	1.26
48	Vermont	1.26
50	Ohio	1.31
51	California	1.32

Small Business Survival Index 2006

Appendix P: State Rankings of Per Capital State and Local Government Expenditures, 2003-04

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

Rank	State	Spend vs Avg	Rank	State	Spend vs Avg
1	Arkansas	0.77	26	Tennessee	0.92
1	Oklahoma	0.77	27	South Carolina	0.94
1	South Dakota	0.77	28	New Mexico	0.96
4	Idaho	0.78	29	Colorado	0.97
5	Missouri	0.80	29	Illinois	0.97
6	Arizona	0.81	31	Maine	0.99
7	Indiana	0.82	31	Michigan	0.99
8	New Hampshire	0.83	31	Pennsylvania	0.99
8	Texas	0.83	34	Vermont	1.00
8	Virginia	0.83	34	Wisconsin	1.00
11	Kentucky	0.84	36	Hawaii	1.01
12	Georgia	0.85	36	Ohio	1.01
13	Florida	0.86	38	Oregon	1.02
13	North Carolina	0.86	39	Nebraska	1.04
15	Kansas	0.87	40	Connecticut	1.07
15	Mississippi	0.87	40	Minnesota	1.07
15	Montana	0.87	40	Rhode Island	1.07
15	West Virginia	0.87	43	Delaware	1.08
19	Alabama	0.89	43	New Jersey	1.08
19	Louisiana	0.89	45	Washington	1.13
19	Utah	0.89	46	California	1.18
22	Iowa	0.90	46	Massachusetts	1.18
22	Maryland	0.90	48	Wyoming	1.30
22	Nevada	0.90	49	New York	1.47
25	North Dakota	0.91	50	Alaska	1.97
			51	Dist. of Columbia	1.98