

APPENDIX B-2: TAX POLICY

Tax rates and structures vary widely by state. This table provides a quick glance as to who is generally viewed as having a favorable tax climate for businesses, as well as states that are thought of as harming business interests through their tax schemes. A more detailed table follows highlighting certain tax policies, positive and negative, of the states profiled.

State	Generally Favorable	Generally unfavorable
California		✓
Connecticut		✓
Florida	✓	
Georgia	✓	
Maryland		✓
Massachusetts		✓
Michigan		✓
New Jersey		✓
New York		✓
North Carolina		✓
Pennsylvania		✓
Rhode Island		✓
Tennessee	✓	
Texas	✓	
Utah	✓	
Virginia	✓	
Washington		✓
Wisconsin		✓
West Virginia		✓

California

Individual Income Tax

California's individual income tax is a graduated income tax. There are 6 levels of income brackets that cover California's workers. On the lower end of the income scale, those earning \$1-\$6,146 pay 1% on every dollar of income. On the other end of the scale, Californians who earn \$40,346 or more pay up to 9.3% of their income. Finally, California's wealthiest citizens who make over \$1 million dollars or more are saddled with an additional 1% surcharge, which pushes the state's highest earners to a 10.3% tax on their earnings.¹

These rates rank poorly when compared to income tax rates across the nation. The 2008 State Business Tax Climate (The SBTC) index ranks California's income tax structure 47th in the nation.² Meanwhile the 2007 Small Business Survival (SBS) index rates California dead last out of all states (including the District of Columbia) for its tax rates.³

Sales Tax

The state fares somewhat better when it comes to the ranking of its sales tax. Statewide, citizens are subjected to a 7.25% sales tax and this tax is collected by the state board of equalization.⁴ Additionally, regional and municipal governments are permitted to tack on an additional tax, and, therefore, state sales tax varies by region from 7.25%-8.75%. Nationally, the 2007 SBTC ranks these taxes as 42nd⁵ while the SBS index ranks these taxes as 29th.⁶

Property Tax

In both indexes, California's best and most competitive tax rating is in the area of property tax where both indexes rank California at 13th in the nation.⁷ Appropriately, the source of California's high ranking was the popularly supported Proposition 13, which

¹ "2007 California Tax Rates and Exemptions." State of California: Franchise Tax Board.
http://www.ftb.ca.gov/forms/catxrate_exmpt07.shtml

² Atkins, Chris; Dubay, Curtis S. Background Paper: 2008 State Business Tax Climate Index. Oct 2007, Number 52. The Tax Foundation. 3. <http://www.taxfoundation.org/files/bp52.pdf>

³ Keating, Raymond J. Small Business Survival Index 2007: Ranking the Policy Environment for Entrepreneurship Across the Nation 12th Annual Edition. Small Business & Entrepreneurial Council, Washington, DC, Nov.2007. 2.
http://sbecouncil.org/Media/pdf/SBSI_2007.pdf?CFID=514256&CFTOKEN=91743709

⁴ "Detailed Description Of The Sales and Use Tax Rate" 28 Nov, 2007. California State Board of Equalization. <<http://www.boe.ca.gov/news/sp111500att.htm>>

⁵ Atkins, 4.

⁶ Keating, 33.

⁷ Atkins, 4.

⁸ Keating.

was passed on the ballot in a popular election in 1978 labeled the “taxpayers revolt.”⁹ The most significant operative language of the proposition stated that: “The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.”¹⁰

The act had the effect of lowering property taxes by an average of 57% across the state. Additionally, the language of the proposition required that any subsequent increase in tax rates receive a two-thirds approval in both houses of the legislature.

Corporate Income Tax

Corporations doing business in the state of California are subject to the State Income or Minimum Franchise Taxes. The rate for different corporations doing business in the state is listed below.¹¹

- C corporations, other than banks and financial corporations 8.84%¹²
- C corporations that are banks or financial corporations 10.84%
- S corporations, other than banks and financial corporations 1.5%
- S corporations that are banks or financial corporations 3.5%**

Additionally, some large companies may have earnings both in and outside California. The portion that is liable to California can be determined by a unitary form.¹³ Under this method, all of the elements comprising trade or business are viewed as one unitary business, whether or not the activities of a business are conducted in separate corporate forms.

Minimum Franchise Tax

Business owners must pay a minimum franchise tax if their corporation or limited liability company treated as a corporation is doing business in California.¹⁴ Doing business in California is defined as actively engaging in any transaction in California for the purpose of financial gain or profit.

Corporations and Limited Liability Corporations that were qualified to do business in the state on or after January 20, 2000, are not subject to the minimum franchise tax during the first taxable year. However, after that taxable year, the corporations are subject to

⁹ New, Michael. “The Tax Revolt Turns 25.” May 29,2003. The CATO Institute.
http://www.cato.org/pub_display.php?pub_id=3118

¹⁰ The Constitution of California. Article 13A Section 1(a).
http://www.leginfo.ca.gov/const/article_13A

¹¹ State of California Franchise Tax Board. “What Are The Tax Rates For Corporations?”
<http://www.ftb.ca.gov/businesses/faq/717.shtml>

¹² State of California Franchise Tax Board What Are The Tax Rates For Corporations?”

¹³ California Franchise Tax Board “Frequently Asked Questions.” California’s Corporation Taxes. 2003
<http://www.ftb.ca.gov/forms/misc/1083.pdf>

¹⁴ California’s Corporation Taxes, 2.

an annual \$800 minimum franchise tax.¹⁵ Federal S corporations doing business in the state are subject to this tax in addition to shareholder taxes.

Florida

Individual Income Tax

The 2008 SBTC Index ranked Florida on a scale of 1-50 (with #1 being best) as the fifth best state for overall business tax climates¹⁶. This was primarily due to the fact that Florida has no income and property tax systems and the seventh highest sales tax system.

No state personal income tax guaranteed by constitutional provision

Sales and Use

No sales and use tax on goods manufactured or produced in Florida for export outside the State

No sales tax on purchases of raw materials incorporated in a final product for resale, including non-reusable containers or packaging

No sales/use tax on co-generation of electricity¹⁷

Property Tax

No property tax on business inventories

No property tax on goods-in-transit for up to 180 days

Corporation Taxes

No corporate income tax on limited partnerships

No corporate income tax on subchapter S-corporations

No state-level property tax assessed

Minimum Franchise Tax

No corporate franchise tax on capital stock

¹⁵ Federation of Tax Administrators. "Range Of State Corporate Income Tax Rates."
http://www.taxadmin.org/fta/rate/corp_inc.html

¹⁶ Atkins, Chris; Dubay, Curtis S. Background Paper: 2008 State Business Tax Climate Index. Oct 2007, Number 52. The Tax Foundation. 3. <http://www.taxfoundation.org/files/bp52.pdf>

¹⁷ "Tax Advantages" Eflorida.com. Online. <http://www.eflorida.com/ContentSubpage.aspx?id=470>

Georgia

Individual Income Tax

The state's tax policies are very similar to those of Kentucky, being tied for rank in the categories of personal income tax (29th), top personal capital gains (32nd), corporate income tax (16th) and corporate capital gains (18th)¹⁸. The tax rate for all of these categories in Georgia is 6%. Judging by the results of these categories, Georgia is a somewhat unfavorable state for individuals, but is more favorable for businesses and corporations.

Property Tax

The state and local property tax rate is just above average at 23rd; however, this is a controversial issue in Georgia.¹⁹

If the property taxes in Georgia are significantly reduced or eliminated, the appeal of locating a business in the state will be much greater.

Unemployment Tax

The Adjusted Unemployment Tax rate is quite favorable in Georgia, ranking 7th (up from 14th in 2006).²⁰

Maryland

Maryland's House recently approved significant tax reform. The progressive House plan includes an increase in sales tax from 5% to 6%, a corporate income tax increase from 7% to 8.75% and increases in income tax for those in higher brackets. Certain exemptions for higher-income earners may also be removed. While no legislation has yet been passed, this further proves that Maryland's politicians favor a high-tax environment, especially for businesses and higher earners. Higher taxes in both of these realms obviously harm business incubation and innovation in Maryland.

Individual Income Tax

The state's current tax structure is a bit below average in terms of business friendliness. The SCR ranked Maryland 32nd in State and Local Taxes per Capita/ Income per Capita²¹.

Top Personal Income and Capital Gains Taxes (both at 4.75%) fair much better in the US, ranking 18th and 20th respectively²². Still, in the "Public Policy Section" it was discussed that Governor O'Malley wants to raise the Top Personal Income Tax rate to

¹⁸ Keating, 28-31.

¹⁹ Keating, 32.

²⁰ Keating, 34.

²¹ Tureck, 39.

²² Keating, 28-32.

6.5%. This would negatively affect the amount of venture capital invested in Maryland if passed.

Sales Tax

Ranked 7th best in nation for sales tax rate.

Property Tax

Maryland counters its high corporate taxes and potentially raised top income tax rates with a strong State and Local Property Tax Rate (ranked 11th).

Corporate Income Tax

O'Malley's tax increase plans include sales tax being placed on previously exempt industries such as health facilities, tanning salons, and massage parlors.

It is worth noting that the SBTC Index ranked Maryland 7th in its Corporate Tax Index²³. This is peculiar considering the other studies noted in this report ranked the State below 25th in all corporate tax categories. One reason for this study's high score is that Maryland has a flat rate for corporate taxes²⁴. Therefore, businesses with higher income fare relatively better here than in some other states. In addition, one rate throughout all income levels simplifies accounting procedures and financial reporting. Factored into the SBTC Index's Corporate Tax Index are credit and deduction ratings.

Massachusetts

Income Tax

5.3% except 12% on short term capital gains.

Sales Tax

5%

Corporate Tax

9.5% (offset by single sales factor)

Unemployment Tax

Unemployment Insurance: New Employer Rate: 2.125% Experienced Rate: 1.325-7.225%

Base Wage: \$14,000

²³ Atkins, Chris and Dubay, Curtis S. Background Paper: 2007 State Business Tax Climate Index. Oct 2006, Number 52. The Tax Foundation <http://www.taxfoundation.org/files/bp52.pdf> . 10

²⁴ Atkins, 42.

Michigan

Sales Tax

In an effort to help stabilize the state budget deficit, legislators passed a “Services Tax” in the fall of 2007.²⁵ This tax would extend the state’s 6% sales tax to business services that are “discretionary purchases.” These services include, but are not limited to: consulting, security systems, and warehousing. Soon after the tax was signed into law, several Michiganders began circulating petitions for the repeal of the tax.²⁶

Corporation Tax

The Tax Foundation’s 2007 SBTC²⁷ puts Michigan near the bottom, ranked 49th, in corporate tax climate and 45th in the nation on unemployment insurance tax (by comparison, Indiana and Ohio ranked 10th and 11th respectively on unemployment insurances taxes).²⁸

State legislators created the new Michigan Business Tax (MBT) which was created as a viable substitute to resurrect the state business climate without losing any state revenue.²⁹ The new tax creates a value added tax on capital and profit determined from the companies’ gross receipts. However, there is no tax on payroll, in an effort to get small business leaders to begin to hire more people.³⁰ This new structure is expected to deliver tax cuts to 7 out of 10 Michigan businesses.³¹

New Jersey

Individual Income Tax

New Jersey has the second highest individual income tax. New Jersey’s personal income tax system consists of six brackets. The top rate of 8.97% takes effect at an income level of \$500,000.

Sales Tax

²⁵ Eggert, David. “New Tax Confuses Businesses As Start Date Nears.” Associated Press State and Local Wire Service. Lexis-Nexis Universe. Online. 21 Oct. 2007.

²⁶ “Backlash Against Tax Hike May Bring Recalls, Petition Drive”. Associated Press State and Local Wire. Lexis-Nexis Universe. Online. 5 Oct. 2007.

²⁷ Atkins, Chris; Dubay, Curtis S. Background Paper: 2008 State Business Tax Climate Index. Oct 2007, Number 52. The Tax Foundation. 10. <http://www.taxfoundation.org/files/bp57.pdf>

²⁸ Atkins, 10.

²⁹ Eggert, David. “Deal Reached on Business Tax Replacement.” Associated Press. Lexis-Nexis Universe. Online. 18 Jun. 2006.

³⁰ Eggert.

³¹ Associated Press. “Granholm Signs New Business Tax Law”. Associated Press State and Local Wire Service. Lexis-Nexis Universe. Online. 6 Jul. 2007.

Ranked seventh highest sales tax. The sales taxes in New Jersey are among the highest in the nation. The state has a 7% general sales tax. This is above the national median of 5%.

Property Tax

The state is currently saddled with the highest property tax rate in the nation, and it is largely seen as an impediment to business. Citizens currently pay approximately \$6,000 per homeowner, nearly twice the national property tax average. The property tax has been rising nearly 7% a year.³²

Corzine's plan called for citizens making less than \$100,000 to receive a 20% tax cut, while wealthier citizens making \$150,000-250,000 would receive a 10% tax cut.³³ In order to achieve these objectives, Corzine proposes a property tax cap. According to this plan, property tax increases would not be allowed to exceed 4% statewide.³⁴

Corzine's property plan came under criticism, from local municipal and school leaders who did not want to be cut off from a major source of funding.³⁵ Under the final version of the plan, schools and local officials were given an ability to exceed the property tax cap, provided that they get 60% of New Jersey voters to approve their request.³⁶ Governor Corzine signed this property relief bill into law in early April of 2007.³⁷

New Jersey is one of the 37 states in the country that collects property taxes at both the state and local levels.

Corporate Income Tax

New Jersey's corporate income tax structure consists of a flat rate of 9% on corporate income. However, corporations with total net income of \$100,000 or less pay 7.5%. Corporations with a total net income of \$50,000 or less pay 6.5%. Among states with corporate income taxes, New Jersey's top tax rate ranks as the 7th highest in the nation.

New York

Individual Income Tax

New York's income tax is imposed on the entire income of New York residents, and on the New York-source income of nonresidents. New York imposes a graduated income tax with rates ranging between 4% and 6.85% of taxable income, which equals NYAGI less the deductions and exemptions.

³² Hester Jr., Tom. "Amid NJ Tax Debate, No Shift From Hefty Property Tax Reliance." Associated Press State and Local Wire. Lexis-Nexis Universe. Online. 12 Jan. 2007.

³³ Corzine.

³⁴ Hester Jr., Tom. "Leaders Move Closer To 20 Percent Property Tax Cut." Associated Press State and Local Wire. Lexis-Nexis Universe. Online 3 Jan. ,2007.

³⁵ Hester Jr. 12 Jan. 2007.

³⁶ Hester Jr, Tom. "Many Exceptions Could Threaten The Effectiveness Of Property Tax Cap." Associated Press State and Local Wire. Lexis-Nexis Universe. Online. 23 Jan. 2007.

³⁷ Hester Jr., Tom. "Property Tax Help Welcomed, But Also Doubted." Associated Press. Lexis-Nexis Universe. Online. 3 Apr. 2007.

The personal income tax also applies, at the individual level, to persons receiving income from business entities in which they perform services or hold an interest.

Sales Tax

New York State imposes a 4% sales and compensating use tax (sales tax). Cities and counties are authorized by the Tax Law to impose a local sales tax in 0.5% increments, up to a maximum of 3%. All counties and 24 cities impose some form of local sales tax.

Property Tax

Local governments in New York levy taxes on real property, which is defined as land and any permanent structures attached to it. No taxes apply to other types of property, and no property tax is levied.

Corporate Income Tax

LLCs and LLPs, whether foreign or domestic, with New York source income must pay an annual filing fee determined by multiplying the number of members (partners) of the LLC/LLP by \$50. The LLC/LLP cannot pay less than the annual minimum payment of \$325 or more than the annual maximum payment of \$10,000.

Minimum Franchise Tax

Typically, general business corporations pay taxes computed under the corporation franchise tax.

This tax is imposed on corporations for the privilege of exercising their corporate franchise in New York. It applies to general business corporations not taxed under another article of the tax law.

North Carolina

Individual Income Tax

Nearly across the board, the Tax Foundation report ranked the state in the bottom fifth for a tax climate favorable to business, including the categories of individual income tax, sales tax and property tax.

The SBS Index ranked North Carolina in or near the bottom 10% for its personal income and capital gains tax rates.³⁸ The report noted that because the great majority of

³⁸ Keating, 28-29.

businesses are small ones with sole proprietorships, the state was taking money that otherwise could be plowed back into businesses, creating growth and jobs.³⁹

Corporate Income Tax

The Tax Foundation's 2007 SBTC Index puts North Carolina in the middle among states, ranked 25th, in corporate tax climate.

The same survey also reported that companies felt the state and legislature were likely to attempt to take back incentives that fostered business and that the state was very aggressive with businesses on a number of taxation fronts.

Another report by the Council on State Taxation reported that North Carolina, while slightly trailing the national average for the percentage that business paid in overall sales tax collections, had a higher share than Virginia, Tennessee and South Carolina⁴⁰.

Pennsylvania

Individual Income Tax

Overall, Pennsylvania's state and local tax burden is 9.8% according to the nonprofit Tax Foundation.⁴¹ This gave the state a rank of 36th in 2007. Pennsylvania's state income tax is fairly low at a flat rate of 3.07%, and retirement income is not taxed.

Sales Tax

Pennsylvania imposes a 6% state sales tax on taxable goods and services. Exemptions include food, clothing, drugs, textbooks, resale items, and residential heating fuels. A local sales tax of 1% is also collected on the sales of taxable goods and services in Philadelphia and Allegheny counties.

Property Tax

While the overall state and local tax burden for the state is below the national average of 10.1%, personal property taxes balance out some of these savings.

The state of Pennsylvania does not levy or collect taxes on real estate or personal property. Instead, those taxes are reserved for the local governments. Property taxes in the state are collected only on real estate transactions.

Corporate Income Tax

Corporations doing business in Pennsylvania are subject to Pennsylvania's Corporate Net Income Tax at a rate of 9.99%. This tax is levied on federal taxable income, without the federal net operating loss deduction. Pennsylvania allows a ten-year net operating

³⁹ Keating, 28-29.

⁴⁰ Lindholm, Douglas; Krantz, Stephen. Scorecard on Tax Appeals and Procedural Requirements. Council on State Taxation. April, 2007.

http://www.statetax.org/Content/ContentGroups/Home_Page_Content/COST_Studies_Articles_and_Testimony/2007BestAndWorstScorecardAmended.pdf

⁴¹ Atkins, 10

loss carry forward of up to \$1 million a year. To arrive at Pennsylvania taxable income, all taxes imposed on or measured by net income which are expensed on the federal corporate income tax return are added back, while the foreign dividend gross-up and net interest income and gains on United States government securities are deducted.

Other Taxes

The Capital Stock and Franchise Tax is imposed on corporations with capital stock, joint-stock associations, limited partnerships, business trusts and other companies doing business within Pennsylvania. Domestic corporations are subject to the Capital Stock Tax, while foreign corporations are subject to the Foreign Franchise Tax on capital stock apportioned to Pennsylvania.

Recently, the State Chamber of Commerce released its recommendations for tax policy in the state.⁴² Some of these key provisions are listed below:

- Elimination of the capital stock and franchise tax
- Reduction of the corporate net income (CNI) tax rate
- Elimination of the net operating loss cap
- Establishment of a full single sales factor for CNI apportionment purposes
- Establishment of destination sourcing on services revenues for CNI apportionment purposes
- Administrative reforms that promote timely, efficient and independent tax

Rhode Island

Individual Income Tax

The Tax Foundation's 2007 State Business Tax Climate Index puts Rhode Island in the bottom of the states, ranked 50th in an overall study⁴³. A large part of this designation may be due to the fact that the Ocean State has the highest and/or worst personal income tax in the country. Rhode Islanders pay a "piggyback" tax that draws its basis off of 25% of an individual's federal income tax.

Corporate Income Tax

Specific sectors of business-related taxation study ranked Rhode Island 43rd for corporate tax climate⁴⁴ and 50th in the nation on unemployment insurance tax⁴⁵.

The same survey also reported that companies felt the state and legislature were likely to attempt to take back incentives that fostered business and that the state was very aggressive with businesses on a number of taxation fronts.

⁴² The Pennsylvania Chamber of Business and Industry. "2007 Pennsylvania Economic Competitiveness ScoreCard. www.pachamberfoundation.org/pdf/2007_ScoreCard_Executive_Summary.pdf

⁴³ Atkins, Chris; Dubay, Curtis S. *Background Paper: 2007 State Business Tax Climate Index*. Oct 2006, Number 52. The Tax Foundation. 10. <http://www.taxfoundation.org/files/bp57.pdf>

⁴⁴ Keating, 30.

⁴⁵ Keating,, 34.

The report noted that because the great majority of businesses are small ones with sole proprietorships, the state was taking money that otherwise could be plowed back into businesses, creating growth and jobs.

Tennessee

Individual Income Tax

Tennessee does not have an income tax on personal wages.

Property Tax

No state property tax

Corporate Income Tax

The 2008 SBTC ranked Tennessee as the sixteenth best state for overall business tax climates.⁴⁶

Tennessee has long been considered a state with one of the most business friendly economic climates in the nation. Twice ranked as one of the five best states in the nation to locate a business by Site Selection magazine, Tennessee has the third lowest combined state and local tax burden for businesses in the country.

Minimum Franchise Tax

Tax on the greater of net worth or book value of property owned or used in Tennessee. Tax rate is 25¢ per \$100.

Tax is based on the net earnings of the company derived from doing business in Tennessee. Tax rate is 6.5%

No throwback provision – sales outside of Tennessee are not taxed.

Texas

Individual Income Tax

Texas revenues are most notable for their lack of a personal income tax.

Property Tax

The property tax is by far the most important source of revenue for Texas state and local governments.

⁴⁶ Atkins, Chris; Dubay, Curtis S. Background Paper: 2008 State Business Tax Climate Index. Oct 2007, Number 52. The Tax Foundation. 3. <http://www.taxfoundation.org/files/bp52.pdf>

Minimum Franchise Tax

Relative lack of importance of the corporate franchise tax (\$1.8 billion). The new business tax is based on gross receipts as opposed to net income or capital. It will increase the number of businesses subject to tax liability, since under the old system certain types of partnerships and other business entities were exempt from the franchise tax. The new business tax will ultimately help make up for the reduction in property taxes—the largest property tax cut in Texas' history.

Utah

Individual Income Tax

In 2006, legislators passed a 5% single-rate schedule that contained tax credits for children, charitable giving and mortgage payments.⁴⁷ In January 2008, the new flat tax will become law and is expected to save taxpayers an estimated \$110 million.⁴⁸

Sales Tax

In 2007, in an effort to reform the state sales tax, legislators cut the base rate by .1% bringing it down to 4.65%, which took effect January 1, 2008. Legislators followed this cut by also lowering an unpopular “food tax” or a tax on unprepared food, by 3%, saving tax payers an estimated \$40 million on that cut alone

Corporate Income Tax

Currently the corporate income tax rate is 5% on taxable income with a minimum payment of \$100, depending on which amount is greater.⁴⁹ The Utah Corporate Income tax remains widely praised in the state tax indexes by placing it in the top ten corporate tax rates in the country.

Virginia

Individual Income Tax

The state is below the median for individual income tax, at 6% in comparison to the nationwide 6.9% median.

Sales Tax

The total tax is 5% (4% state and 1% local).

⁴⁷ Warchol, Glen. “Governor Signs Historic Tax Package” The Salt Lake Tribune. Lexis-Nexis Universe. Online. 15. March , 2007

⁴⁸ Bernick Jr., Bob. “5% single-rate likely”. The Dessert News. February 23, 2007. http://findarticles.com/p/articles/mi_qn4188/is_20070223/ai_n18640005/pg_1

⁴⁹ “Corporate Income Tax.” Revised November, 2006. Utah State Tax Commission. <http://tax.utah.gov/corporate/>

Corporate Income Tax

Virginia is the tenth most tax-friendly state, according to the 2006 Tax Foundation (a nonprofit fiscal policy research group) report noted on CNNmoney.com⁵⁰. The state's corporate income tax has not been raised in more than thirty years and, at 6%, its rate is one of the lowest in the nation.⁵¹

Minimum Franchise Tax

No franchise or net worth tax

Washington

Sales Tax

6.5% base + 0.5 to 1.7% local levy

Property Tax

Avg. \$7.32 - \$15.75 per \$1,000 assessed value property taxes have state and local tax components. Rates vary by location and taxes are based on the assessed value of property.

Statewide, the average property tax rate dropped by over \$1.25 per \$1,000 assessed value between 1999 and 2003. The average rate in 2003 was \$12.33, with county averages ranging from \$7.32 to \$15.75.

Corporate Income Tax

Washington State's business and occupation tax (B&O) is based on gross receipts. Virtually all businesses are subject to B&O tax, including corporations, partnerships, sole proprietors, and nonprofit corporations. The only major exempt activities are farming and the sale or rental of real estate.

Unemployment Tax

Unemployment premium rates are based on the company's or industry's actual experience with unemployment.

Washington is the only state with Workers' Compensation tax rates based on the hours worked. Workers' compensation is not paid for hours the worker is off the job, including sick leave, vacation, holidays, and leaves of absence.

⁵⁰ "How Tax Friendly is Your State" CNN Online. 4 Oct. 2006.

http://money.cnn.com/2006/04/10/pf/taxes/taxfriendly_states_2006/index.htm

⁵¹ Virginia Economic Development Partnership: "Business Taxes"

http://www.yesvirginia.org/Virginia_Advantage/Taxes.aspx

Wisconsin

Individual Income Tax

One reason Wisconsin's tax policy is viewed unfavorably is due to its use of the Alternative Minimum Tax (AMT). The state is ranked 35th in personal income tax.

Corporate Income Tax

The 2007 SBTC Index ranked Wisconsin 38th for a favorable tax climate. This is well below average, it is a point worse than the index published a year before.