

Total State and Local Business Taxes

Nationally 1980 – 2005, by State 2002 – 2005,
and by Industry 2005

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Prepared in conjunction with The Council On State Taxation



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This study was prepared by Ernst & Young's Quantitative Economics and Statistics Practice (QUEST) in conjunction with the Council On State Taxation (COST).

QUEST is a specialized group of economists, statisticians, and tax policy researchers within Ernst & Young's National Tax Practice, located in Washington, DC. QUEST provides quantitative advisory services and products to private and public sector clients that enhance business processes, support regulatory compliance, analyze proposed policy issues, and provide litigation support.

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of 580 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

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Executive Summary

This study updates previous studies published by the Council On State Taxation (COST) which have documented the substantial state and local taxes paid by business nationally and state by state. This study updates the prior studies through fiscal year 2005 and provides new estimates of the distribution of business taxes by industry.¹

This study finds that businesses paid \$497 billion in total state and local taxes in fiscal year 2005. This was 44 percent of total taxes collected by all state and local governments in the United States. An understanding of the actual state and local taxes paid by business is the first step in answering several tax policy questions being debated in state legislatures: “How much total taxes are businesses paying in the state?” and “Are our current state and local business taxes adversely affecting our state’s economic competitiveness?”

This study includes comprehensive estimates of the taxes paid by businesses in each state. The analysis includes business property taxes, sales and excise taxes paid by businesses on their purchases, gross receipts taxes, corporate income and franchise taxes, business and corporate license taxes, unemployment payroll taxes, the individual income taxes paid by owners of noncorporate (pass-through) businesses, and other state and local taxes that are the statutory liability of business taxpayers.

The state-by-state estimates show the significant variation across the states in the total state and local taxes paid by business. The share of taxes paid by business is determined by a state’s overall tax system, the structure of its economy and the types of business taxes levied, as well as business tax features that may provide a competitive advantage or disadvantage in attracting and retaining business employment and investment in the state.

Key findings of the study include:

- Over the last four years, state and local taxes on business have risen faster than total state and local taxes. As a result, businesses have paid a major portion of the additional state and local taxes collected. Businesses paid 48 percent of the entire increase in state and local taxes from FY2002 to FY2005.
- Businesses paid over half of the total three-year increase in state and local taxes in 35 states. This was due partially to the modest growth of the individual income and sales taxes paid by households (14.6 percent growth) compared to the relatively large increase in taxes paid by business which grew over 25 percent, due partially to a strong upswing in corporate income and employment taxes from the 2001-2002 economic slowdown.

- Property taxes on business property were nearly \$183 billion in FY2005, accounting for 37 percent of total state and local business taxes. Sales tax on business inputs and capital equipment totaled almost \$112 billion, over 22 percent of business taxes. The property and sales tax totaled 59 percent of total business taxes in FY2005.
- Although the corporate income tax has been the focus of intense legislative debate in a number of state legislatures during the last few years, it represents only 8 percent of total state and local business taxes nationally.
- Individual income taxes paid by owners of noncorporate businesses totaled \$19 billion in FY2005, 4 percent of total state and local business taxes. These taxes on noncorporate earnings were nearly half the tax paid on the net income of corporations.

Total State and Local Business Taxes in FY2005

Businesses paid over \$497 billion in total state and local taxes in FY2005, as presented in Figure 1 and Table 1 below. The following taxes are included to the extent the tax is considered the statutory liability of businesses and its owners:

- Property taxes on real, personal, and utility property owned by business accounts for the largest share of total state and local business taxes, 37 percent or nearly \$183 billion. Taxes on real property and utilities account for \$162 billion (88 percent) of the total business property tax. Business personal property, which is exempt from tax in many states, generates the remaining \$21 billion of business property tax revenue.²
- Sales and use taxes paid by businesses on purchases of inputs and capital equipment totaled nearly \$112 billion, representing 22 percent of all state and local business taxes. While businesses collect sales and use taxes on sales to both businesses and consumers, only the taxes on business inputs and equipment purchases are included in the total business tax estimates.³
- Excise taxes imposed on business purchases were over \$24 billion in FY2005. Excise taxes include a portion of motor fuel taxes and selected excise taxes. The analysis treats all tobacco, alcohol, and amusement excise taxes as paid by households.
- Gross receipts taxes, totaling \$39 billion in FY2005, are often in lieu of property or corporate income taxes and are allocated wholly to business.
- Corporate income taxes (including the Michigan and New Jersey alternative minimum assessment) were over \$42 billion, representing 8 percent of total state and local business taxes.
- Employer payroll taxes for unemployment insurance were nearly \$36 billion in FY2005.
- License and other business taxes totaled \$42 billion in FY2005. Of this total, nearly \$8 billion were corporation license taxes, such as the Texas franchise Tax (\$2.1 billion); \$12 billion were general business and occupation taxes; and \$18 were motor vehicle license fees and taxes.
- Individual income taxes paid by owners of pass-through entities (partnerships, sole proprietorships, S corporations) are estimated to total \$19 billion in FY2005. Individual income taxes on pass-through business income were almost half of the state corporate income taxes and represent 4 percent of total state and local business taxes.

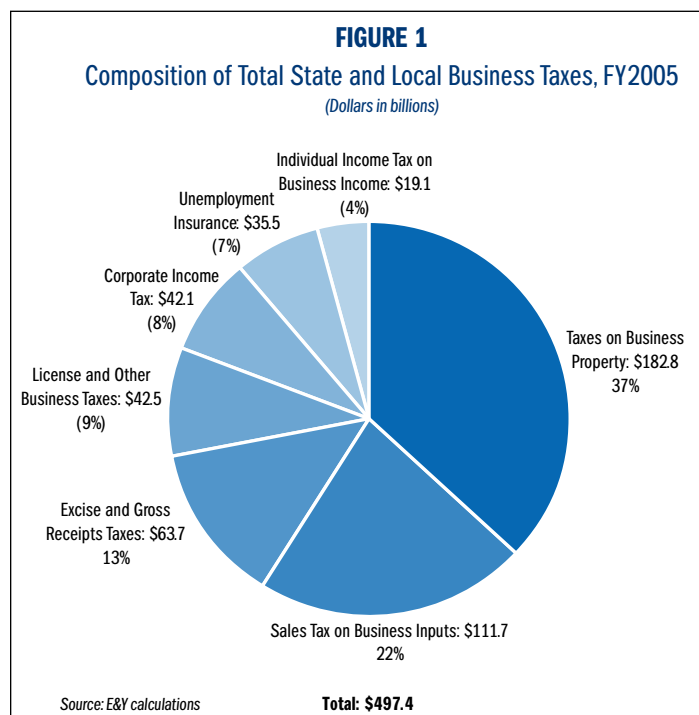


TABLE 1 State and Local Business Taxes, FY2005 (Dollars in Billions)

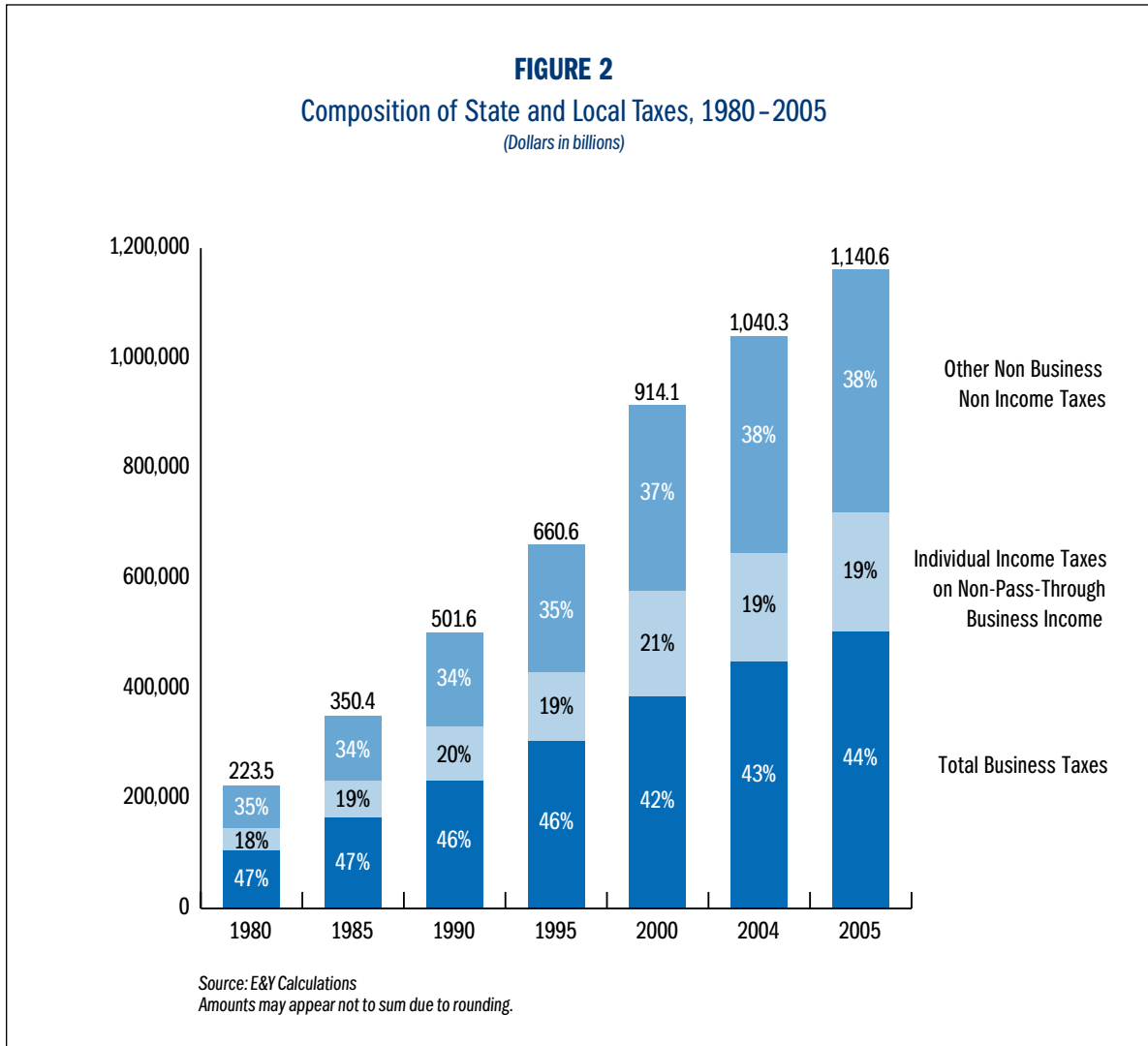
	Total Business Taxes	% Total Business Tax
Property taxes on business property	\$182.8	36.7%
General sales taxes on business inputs	111.7	22.5%
Corporate income tax	42.1	8.5%
Payroll taxes	35.5	7.1%
Gross receipts taxes	39.2	7.9%
Insurance premiums	14.1	2.8%
Public utility taxes	25.1	5.0%
Excise taxes	24.5	4.9%
Business and corporation licenses	20.9	4.2%
Individual income tax on pass-through income	19.1	3.8%
Other business taxes	21.6	4.3%
Total Business Taxes	\$497.4	100.0%

Source: E&Y Calculations
Amounts may appear not to sum due to rounding.

Total State and Local Business Taxes from 1980 to 2005

Total state and local business taxes have grown from \$105 billion in 1980 to over \$497 billion in FY2005. Figure 2 shows the composition of total state and local taxes, split between business

taxes and non-business taxes.⁴ As a percent of total state and local taxes, business taxes fell from 46.8 percent in 1980 to 41.8 percent in 2000 but have increased to 43.6 percent in 2005.



Recent Trends in State and Local Taxes

Total state and local business taxes increased by 25 percent, or over \$100 billion, between FY2002 and FY2005. As shown in Table 2, the growth of total business taxes over this period resulted from increases in all of the business taxes, including rapid growth

in corporate income and employment tax collections. As a result, business taxes grew three percentage points faster than total state and local taxes during this period.

TABLE 2	Business Tax	FY2002	FY2005	% Change
	Property taxes on business property	\$149.7	\$182.8	22%
General sales taxes on business inputs	97.5	111.7	15%	
Corporate income tax	29.2	42.1	44%	
Payroll taxes	21.0	35.5	69%	
Gross receipts taxes	29.5	39.2	33%	
Insurance premiums	11.0	14.1	28%	
Public utility taxes	18.4	25.1	36%	
Excise taxes	20.6	24.5	19%	
Business and corporation licenses	17.3	20.9	21%	
Individual income tax on pass-through business income	15.3	19.1	25%	
Other business taxes	16.8	21.6	29%	
Total Business Taxes	\$396.8	\$497.4	25%	
Total State and Local Taxes	\$932.0	\$1,140.6	22%	

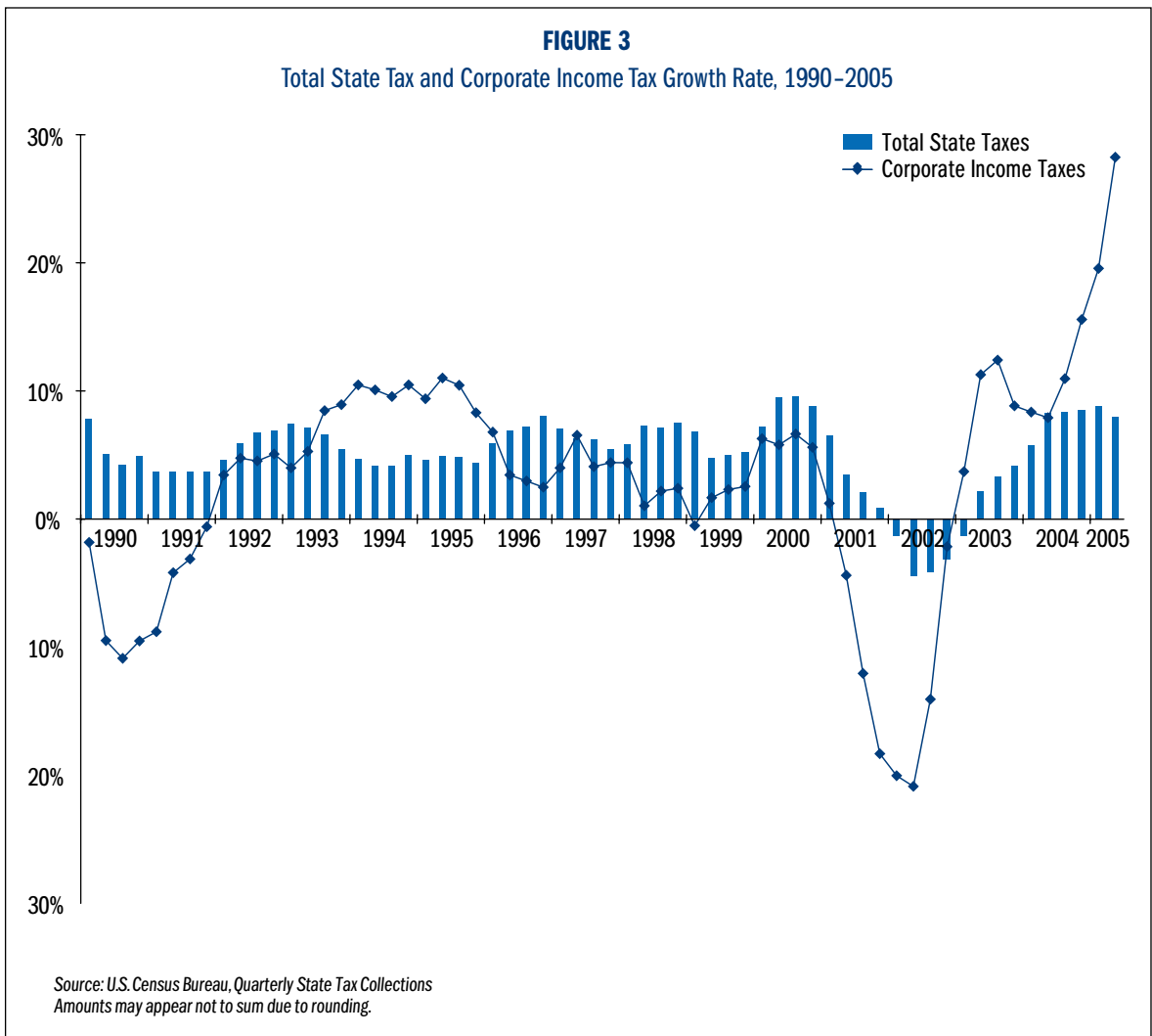
Source: E&Y Calculations
Amounts may appear not to sum due to rounding.

In addition to being the largest component of state and local business taxes, the property tax accounted for 33 percent of the total business tax increase between FY2002 and FY2005. In fact, the

growth rate of property taxes is accelerating. While averaging 5.0 percent growth in the prior three years, business property taxes grew by 9.4 percent in FY2005.

While the corporate income tax continues to represent a small share of total state and local business taxes, it remains a very unstable source of revenue for funding government. Figure 3 compares quarterly percentage changes in annual total state taxes and state corporate income taxes since 1990. As shown in the figure, the relative volatility in the corporate income tax has been particularly high since the beginning of the last recession. From June

2001 to June 2002, corporate income taxes fell almost five times faster than total state taxes. Since June 2002, corporate income taxes have increased almost three times faster than all state taxes. In addition to creating an unreliable source of tax revenues, the short-run volatility of corporate income taxes makes it difficult to identify longer-run trends affecting the tax.



State-by-State Business Tax Estimates

This section presents state and local business taxes by type of tax for each of the 50 states plus the District of Columbia. Table 3 presents the different business taxes by state. Origin-based taxes, such as the property tax and sales tax, which are more important in businesses' location decisions than destination-based taxes, vary significantly as a share of total business tax. Indiana, Arizona, and Texas generate more than 70 percent of business taxes from the taxes, resulting in significant taxes on business capital located in the state.

Table 4 presents business taxes as percentage of total state and local taxes by state. The business share of total state and local taxes will depend on many factors, including a state's reliance on individual income taxes and general sales taxes and the level and type of business activity in the state. The business share of total taxes averages nearly 44 percent nationally, but ranges from 34 percent to 76 percent.

The business share of total taxes indicates how heavily state and local tax systems rely on taxes that are liabilities of businesses instead of households. However, this measure provides limited information about the *competitiveness* of a state's business tax system compared to other states. A state's competitiveness depends upon the level of business taxes compared to the level of economic activity that is being taxed. Because state business tax bases are a diverse mixture of sales, income, input purchases, payroll and property, and other tax bases, a broad measure of a state's overall economic activity should be used to determine an aggregate business tax burden that can be compared across states.

The last column in Table 4 presents a state-by-state measure of the effective business state and local tax rate (ETR). The ETRs are measured as the ratio of state and local business taxes to private-sector gross state product (GSP), the total value of a state's annual production of goods and services excluding the public sector. The average ETR across all states is 4.9 percent; ETRs range from 3.6 percent to 9.7 percent.

Using Maryland as an example, it is clear that the ratio of business taxes to all state and local taxes cannot be used to measure a state's tax competitiveness. Businesses pay 35.9 percent of all taxes in Maryland, which is significantly below the U.S. average share. But Maryland's ratio of business taxes to private-sector GSP is 4.8 percent, only slightly below the average business ETR. Maryland's low business share of total state and local taxes is due to the state's heavy reliance on state and local individual income taxes and a relatively large public sector share of GSP, not from relatively low taxes on business activity.

Although the effective tax rate measure provides one summary measure of the burden of state and local business taxes imposed on the level of private-sector economic activity in each state, it does not provide enough detail to fully evaluate a state's business tax competitiveness. For example, a state with an average overall ETR may impose relatively high taxes on capital-intensive manufacturers, while imposing relatively low taxes on labor-intensive service industries. As a result, this state's tax structure and composition may create disincentives for locating new plant and equipment in the state and hinder

economic growth. State legislators and policymakers need to look more closely at the structure and composition of business taxes and the composition of economic activities in evaluating their state's business tax competitiveness.

Figure 4 illustrates the variation in business ETRs (total state and local business taxes as a percentage of private-sector economic activity) for each of the 50 states and the District of Columbia. The share of state business taxes and local business taxes is shown separately.

Table 5 shows the state-by-state increase in total state and local business taxes between FY2002 and FY2005 and the business share of total state and local tax increases during that period. For all states, businesses paid 48 percent of the increase in all state and local taxes over this four-year period. Although not shown in the table, the picture is the same for the aggregate ETR: the ratio of business taxes to private-sector economic activity increased from 4.5 percent to 4.9 percent over the same period.

State and Local Business Taxes by Type, FY2005 (Dollars in Billions)

TABLE 3

State	Property Tax	Sales Tax on Business Inputs	Excise and Gross Receipts	Corporate Income	Payroll Tax	Individual Income Tax (on Pass-Through Business Income)	Licenses and Other Taxes	Total Business Taxes
Alabama	\$1.2	\$1.1	\$1.3	\$0.4	\$0.3	\$0.2	\$0.5	\$4.9
Alaska	0.7	0.0	0.1	0.6	0.1	0.0	0.9	2.5
Arizona	3.4	2.9	0.8	0.7	0.2	0.2	0.2	8.6
Arkansas	0.9	1.0	0.4	0.2	0.3	0.2	0.1	3.1
California	18.1	15.8	8.8	8.7	5.2	4.0	5.4	66.0
Colorado	2.7	2.2	0.6	0.3	0.5	0.4	0.3	7.2
Connecticut	2.4	1.6	0.7	0.6	0.6	0.5	0.2	6.6
Delaware	0.2	0.0	0.2	0.2	0.1	0.1	1.0	1.8
Florida	10.4	6.9	7.1	1.7	1.1	0.0	1.4	28.6
Georgia	4.5	3.8	1.2	0.7	0.8	0.6	0.5	12.0
Hawaii	0.6	0.7	0.4	0.1	0.1	0.1	0.1	2.1
Idaho	0.7	0.3	0.2	0.1	0.1	0.1	0.1	1.6
Illinois	9.9	3.5	4.6	2.5	2.5	0.6	1.5	25.2
Indiana	5.3	1.6	0.6	0.8	0.6	0.3	0.1	9.3
Iowa	2.3	0.7	0.3	0.2	0.3	0.2	0.3	4.2
Kansas	2.1	1.2	0.4	0.2	0.3	0.2	0.3	4.6
Kentucky	1.3	1.2	0.8	0.5	0.4	0.3	0.7	5.1
Louisiana	1.9	3.5	0.9	0.4	0.2	0.2	1.1	8.2
Maine	1.3	0.3	0.2	0.1	0.1	0.1	0.1	2.2
Maryland	3.5	1.2	1.4	0.9	0.6	0.5	0.9	9.0
Massachusetts	5.2	1.5	0.8	1.5	1.7	0.7	0.4	11.8
Michigan	6.4	2.4	0.7	1.6	1.5	0.4	1.2	14.2
Minnesota	4.1	1.8	1.2	0.9	0.8	0.4	0.6	9.9
Mississippi	1.5	1.0	0.4	0.4	0.1	0.1	0.2	3.7
Missouri	2.3	2.1	1.1	0.3	0.5	0.3	0.6	7.1
Montana	0.7	0.0	0.2	0.1	0.1	0.1	0.1	1.2
Nebraska	1.3	0.9	0.3	0.2	0.1	0.1	0.2	3.1
Nevada	1.3	1.2	0.7	0.0	0.3	0.0	0.7	4.1
New Hampshire	1.3	0.0	0.3	0.5	0.1	0.0	0.2	2.4
New Jersey	6.6	2.5	1.8	2.5	1.6	0.6	1.0	16.7
New Mexico	0.5	1.1	0.3	0.2	0.1	0.1	0.8	3.1
New York	17.7	10.8	4.0	5.7	2.7	3.2	1.5	45.6
North Carolina	3.2	2.3	1.6	1.3	1.1	0.6	0.8	10.9
North Dakota	0.5	0.2	0.2	0.1	0.1	0.0	0.3	1.3
Ohio	6.7	4.0	1.6	1.4	1.0	0.7	2.3	17.6
Oklahoma	1.1	1.5	0.5	0.2	0.3	0.3	1.1	4.9
Oregon	1.8	0.0	0.4	0.4	0.8	0.4	0.5	4.3
Pennsylvania	6.3	3.2	2.7	1.8	2.6	0.8	2.9	20.3
Rhode Island	0.9	0.4	0.2	0.1	0.2	0.1	0.1	1.9
South Carolina	2.5	1.0	0.5	0.2	0.3	0.2	0.3	5.1
South Dakota	0.6	0.4	0.1	0.0	0.0	0.0	0.1	1.3
Tennessee	2.8	2.6	0.8	0.8	0.5	0.0	1.0	8.5
Texas	19.7	10.7	5.9	0.0	1.7	0.0	5.7	43.6
Utah	0.9	0.8	0.4	0.2	0.2	0.2	0.2	2.7
Vermont	0.6	0.1	0.2	0.1	0.1	0.0	0.0	1.1
Virginia	3.8	1.4	2.1	0.6	0.5	0.5	1.2	10.1
Washington	3.0	5.9	1.9	0.0	1.5	0.0	0.6	12.9
West Virginia	0.9	0.3	0.6	0.3	0.1	0.1	0.4	2.7
Wisconsin	3.8	1.5	0.7	0.8	0.6	0.3	0.6	8.4
Wyoming	0.7	0.4	0.1	0.0	0.0	0.0	0.9	2.0
Washington, DC	0.7	0.3	0.3	0.2	0.1	0.2	0.2	2.0
United States	\$182.8	\$111.7	\$63.7	\$42.1	\$35.5	\$19.1	\$42.5	\$497.4

Source: E&Y Calculations

Amounts may appear not to sum due to rounding.

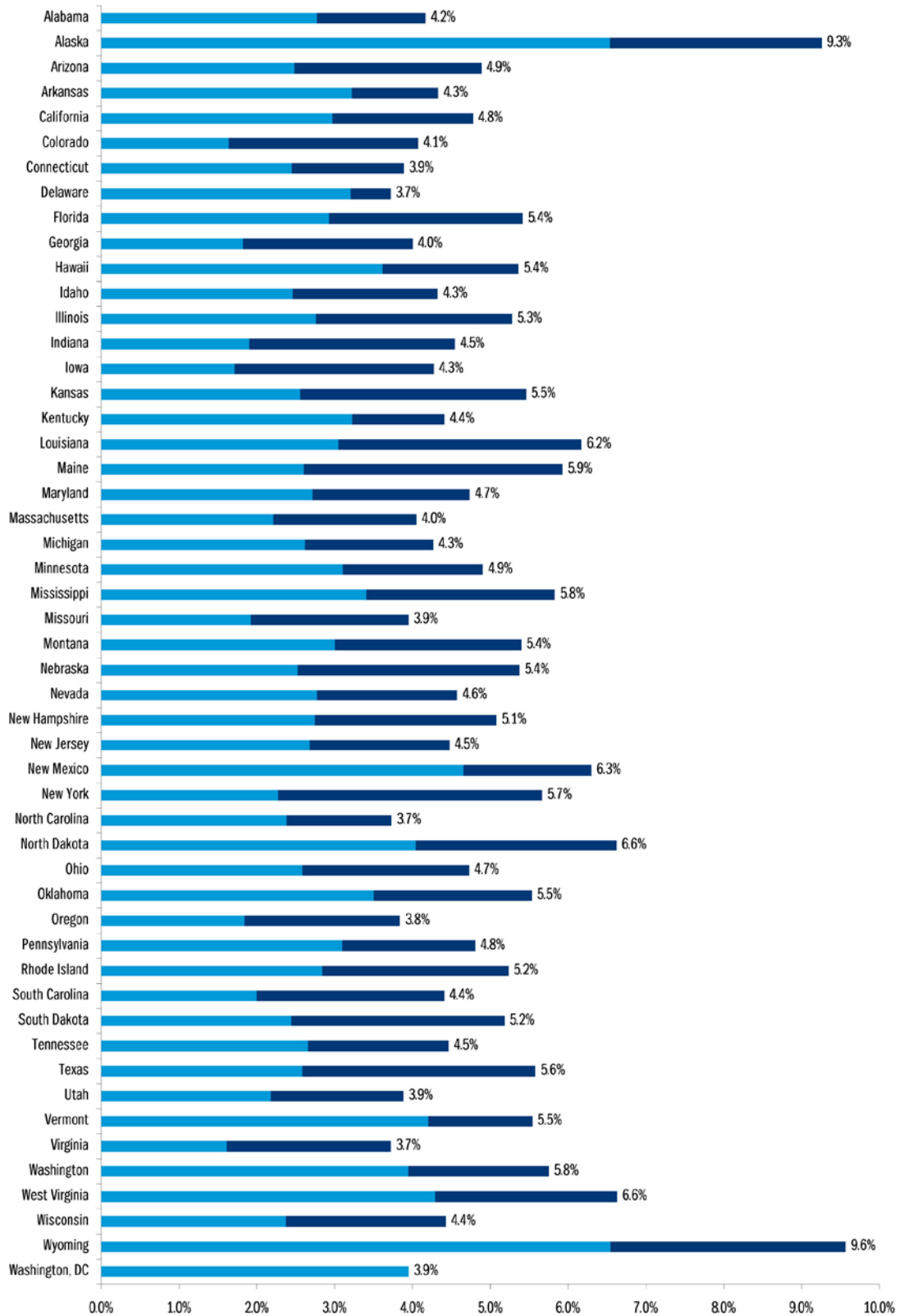
Business Taxes as a Share of State, Local, and Total Taxes and Private Sector GSP, FY2005 (Dollars in Billions)

TABLE 4

State	State Taxes			Local Taxes			State and Local Taxes			Percent of GSP*
	Business Taxes	Total Taxes	Business Share	Business Taxes	Total Taxes	Business Share	Business Taxes	Total Taxes	Business Share	
Alabama	\$3.2	\$8.2	39.8%	\$1.6	\$3.3	49.1%	\$4.9	\$11.5	42.5%	4.2%
Alaska	1.8	2.1	84.4%	0.7	1.2	62.2%	2.5	3.3	76.3%	9.3%
Arizona	4.4	10.3	42.1%	4.2	7.1	59.0%	8.6	17.5	49.0%	4.9%
Arkansas	2.3	6.5	34.9%	0.8	1.3	58.2%	3.1	7.9	38.9%	4.3%
California	41.1	101.8	40.4%	24.9	52.3	47.6%	66.0	154.1	42.9%	4.8%
Colorado	2.9	8.6	33.6%	4.3	8.0	53.3%	7.2	16.6	43.1%	4.1%
Connecticut	4.1	12.8	32.4%	2.4	6.5	37.6%	6.6	19.3	34.2%	3.9%
Delaware	1.6	2.9	55.3%	0.3	0.6	43.4%	1.8	3.5	53.3%	3.7%
Florida	15.4	38.0	40.6%	13.2	23.1	57.0%	28.6	61.0	46.8%	5.4%
Georgia	5.4	17.2	31.6%	6.5	12.5	52.0%	12.0	29.8	40.2%	4.0%
Hawaii	1.4	4.6	30.8%	0.7	1.0	69.6%	2.1	5.5	37.6%	5.4%
Idaho	0.9	3.0	30.9%	0.7	1.1	63.0%	1.6	4.1	39.6%	4.3%
Illinois	13.2	32.4	40.6%	12.0	23.1	52.1%	25.2	55.5	45.4%	5.3%
Indiana	3.9	14.0	27.9%	5.4	7.8	69.7%	9.3	21.8	42.9%	4.5%
Iowa	1.7	5.8	29.3%	2.5	3.8	66.7%	4.2	9.5	44.1%	4.3%
Kansas	2.2	6.2	35.3%	2.5	3.8	64.3%	4.6	10.0	46.5%	5.5%
Kentucky	3.8	9.4	40.0%	1.4	3.2	43.0%	5.1	12.6	40.8%	4.4%
Louisiana	4.1	8.6	47.4%	4.2	5.6	73.7%	8.2	14.2	57.9%	6.2%
Maine	1.0	3.3	29.7%	1.2	1.7	70.7%	2.2	5.0	44.0%	5.9%
Maryland	5.1	14.6	35.1%	3.8	10.4	36.9%	9.0	25.0	35.9%	4.7%
Massachusetts	6.4	21.3	30.0%	5.4	11.1	48.5%	11.8	32.4	36.3%	4.0%
Michigan	8.7	24.6	35.5%	5.5	10.3	53.3%	14.2	34.9	40.8%	4.3%
Minnesota	6.2	17.5	35.6%	3.6	6.3	57.2%	9.9	23.9	41.3%	4.9%
Mississippi	2.1	5.7	37.3%	1.5	2.1	73.1%	3.7	7.8	46.9%	5.8%
Missouri	3.5	10.5	32.9%	3.6	7.2	50.6%	7.1	17.7	40.1%	3.9%
Montana	0.7	1.9	36.6%	0.6	0.8	66.5%	1.2	2.7	45.7%	5.4%
Nebraska	1.5	3.9	37.2%	1.7	2.7	60.8%	3.1	6.7	46.8%	5.4%
Nevada	2.5	6.0	42.0%	1.6	3.0	53.9%	4.1	9.0	46.0%	4.6%
New Hampshire	1.3	2.2	58.2%	1.1	2.1	53.5%	2.4	4.3	55.9%	5.1%
New Jersey	10.0	26.7	37.4%	6.7	17.6	38.1%	16.7	44.3	37.7%	4.5%
New Mexico	2.3	4.3	52.3%	0.8	1.5	54.9%	3.1	5.8	53.0%	6.3%
New York	18.3	57.1	32.0%	27.3	53.0	51.5%	45.6	110.1	41.4%	5.7%
North Carolina	7.0	20.9	33.5%	4.0	8.6	46.2%	10.9	29.4	37.2%	3.7%
North Dakota	0.8	1.4	53.6%	0.5	0.7	70.7%	1.3	2.1	59.2%	6.6%
Ohio	9.6	25.5	37.7%	8.0	17.9	44.8%	17.6	43.4	40.6%	4.7%
Oklahoma	3.1	7.4	42.1%	1.8	3.1	58.2%	4.9	10.6	46.8%	5.5%
Oregon	2.1	8.1	25.4%	2.2	4.4	50.8%	4.3	12.5	34.3%	3.8%
Pennsylvania	13.1	32.5	40.3%	7.2	17.8	40.6%	20.3	50.3	40.4%	4.8%
Rhode Island	1.0	3.0	34.8%	0.9	1.6	54.9%	1.9	4.6	41.8%	5.2%
South Carolina	2.3	7.8	29.3%	2.8	4.4	63.4%	5.1	12.2	41.5%	4.4%
South Dakota	0.6	1.2	54.1%	0.7	1.0	73.8%	1.3	2.1	63.0%	5.2%
Tennessee	5.1	11.0	46.4%	3.5	6.1	56.9%	8.5	17.0	50.1%	4.5%
Texas	20.2	35.5	56.9%	23.4	35.9	65.3%	43.6	71.4	61.1%	5.6%
Utah	1.5	5.0	30.5%	1.2	2.5	48.4%	2.7	7.5	36.4%	3.9%
Vermont	0.8	2.0	40.0%	0.3	0.4	58.8%	1.1	2.4	43.3%	5.5%
Virginia	4.4	17.0	25.8%	5.7	10.7	53.7%	10.1	27.7	36.6%	3.7%
Washington	8.9	17.6	50.3%	4.1	8.2	49.6%	12.9	25.8	50.1%	5.8%
West Virginia	1.8	4.3	40.6%	1.0	1.2	80.3%	2.7	5.5	49.2%	6.6%
Wisconsin	4.5	13.4	33.4%	3.9	8.3	47.0%	8.4	21.7	38.5%	4.4%
Wyoming	1.3	1.8	74.5%	0.6	0.9	71.8%	2.0	2.7	73.6%	9.6%
Washington, DC	2.0	4.5	43.3%	0.0	0.0	0.0%	2.0	4.5	43.3%	3.9%
United States	\$272.9	\$711.8	38.3%	\$224.5	\$428.8	52.4%	\$497.4	\$1,140.6	43.6%	4.8%

Source: E&Y Calculations
Amounts may appear not to sum due to rounding.

FIGURE 4
State and Local Business Taxes as a Percent of Private-Sector Economic Activity, FY2005



Change in State and Local Business Taxes, FY2002 to FY2005 (Dollars in Billions)

TABLE 5

State	Total S&L Business Taxes			Total S&L Taxes			Business Share of Tax Revenue Growth
	FY2002	FY2005	\$ Change	% Change	\$ Change	% Change	
Alabama	\$3.9	\$4.9	\$1.0	24.7%	\$1.9	20.4%	50%
Alaska	1.7	2.5	0.9	50.9%	1.0	44.2%	84%
Arizona	7.1	8.6	1.5	21.2%	2.8	19.0%	54%
Arkansas	2.6	3.1	0.4	17.2%	1.4	20.9%	33%
California	52.1	66.0	13.9	26.8%	28.2	22.4%	49%
Colorado	5.7	7.2	1.4	25.3%	2.7	19.8%	53%
Connecticut	5.1	6.6	1.4	27.9%	4.1	27.0%	35%
Delaware	1.5	1.8	0.4	23.4%	0.7	24.4%	52%
Florida	20.6	28.6	7.9	38.5%	16.1	35.8%	49%
Georgia	9.5	12.0	2.4	25.6%	5.4	22.3%	45%
Hawaii	1.6	2.1	0.5	27.6%	1.1	25.8%	40%
Idaho	1.4	1.6	0.2	13.4%	0.3	7.2%	70%
Illinois	19.5	25.2	5.7	29.1%	11.9	27.3%	48%
Indiana	7.5	9.3	1.8	24.6%	4.7	27.2%	40%
Iowa	3.7	4.2	0.5	14.7%	1.0	12.2%	52%
Kansas	3.7	4.6	0.9	24.5%	1.7	20.0%	55%
Kentucky	4.4	5.1	0.7	16.1%	1.4	12.9%	49%
Louisiana	7.1	8.2	1.1	15.0%	1.9	15.4%	56%
Maine	1.9	2.2	0.3	18.4%	0.7	15.9%	50%
Maryland	6.9	9.0	2.1	29.9%	4.6	22.5%	45%
Massachusetts	8.9	11.8	2.9	32.1%	6.8	26.5%	42%
Michigan	12.9	14.2	1.3	10.2%	2.5	7.6%	54%
Minnesota	7.1	9.9	2.8	39.1%	5.0	26.6%	55%
Mississippi	3.3	3.7	0.4	12.6%	0.8	10.8%	54%
Missouri	5.9	7.1	1.2	19.4%	2.4	15.8%	48%
Montana	1.1	1.2	0.2	15.4%	0.5	21.1%	35%
Nebraska	2.5	3.1	0.7	26.9%	1.3	23.2%	53%
Nevada	3.0	4.1	1.2	39.9%	2.5	39.2%	47%
New Hampshire	2.0	2.4	0.4	20.8%	0.7	17.9%	63%
New Jersey	12.8	16.7	3.9	30.8%	9.1	25.9%	43%
New Mexico	2.9	3.1	0.2	6.4%	0.4	7.6%	45%
New York	37.6	45.6	8.0	21.1%	19.1	21.0%	42%
North Carolina	8.3	10.9	2.7	32.2%	6.0	25.7%	44%
North Dakota	1.0	1.3	0.3	28.3%	0.4	20.1%	78%
Ohio	13.9	17.6	3.7	26.6%	7.1	19.5%	52%
Oklahoma	3.8	4.9	1.1	29.2%	1.8	21.1%	61%
Oregon	3.3	4.3	1.0	28.7%	2.7	27.1%	36%
Pennsylvania	15.6	20.3	4.7	30.4%	10.0	24.9%	47%
Rhode Island	1.5	1.9	0.4	25.6%	0.9	23.5%	45%
South Carolina	4.1	5.1	1.0	23.3%	2.5	25.4%	39%
South Dakota	1.1	1.3	0.2	23.0%	0.3	19.7%	72%
Tennessee	6.6	8.5	1.9	29.2%	3.6	26.4%	54%
Texas	36.1	43.6	7.5	20.7%	10.9	18.1%	68%
Utah	2.1	2.7	0.6	30.2%	1.4	23.1%	45%
Vermont	0.8	1.1	0.2	30.1%	0.5	29.2%	44%
Virginia	8.0	10.1	2.2	27.0%	5.6	25.6%	38%
Washington	10.8	12.9	2.1	19.4%	4.4	20.7%	48%
West Virginia	2.3	2.7	0.4	16.8%	0.7	14.6%	56%
Wisconsin	6.9	8.4	1.5	21.2%	3.2	17.1%	46%
Wyoming	1.3	2.0	0.7	56.2%	0.8	44.0%	87%
Washington, DC	1.6	2.0	0.3	19.8%	1.1	32.7%	29%
United States	\$396.8	\$497.4	\$100.6	25.4%	\$208.6	22.4%	48%

Source: E&Y Calculations

Amounts may appear not to sum due to rounding.

Business Taxes by Industry

The results of this study highlight the importance in the tax policy debate of evaluating the level of overall business taxes. Table 6 adds another dimension to the total business tax results, present-

ing estimates of total state and local taxes paid by major industries in FY2005. The results show that the composition of total state and local business taxes varies significantly among industries.

State and Local Business Taxes by Industry, FY2005 (Dollars in Billions)

Industry	Corporate Income Tax	Payroll Taxes	Property Taxes	General Sales Taxes	Excise and Gross Receipts	Business License and Other Taxes	Individual Income Tax (on Pass-Through Business Income)	Total Business Taxes
Electric and Gas	\$0.7	\$0.3	\$16.6	\$3.0	\$17.5	\$1.4	\$0.0	\$39.5
Manufacturing	11.9	5.9	26.3	19.4	0.2	4.1	0.3	68.1
Non Durable	4.4	3.4	12.6	8.5	0.2	2.3	0.1	31.4
Durable Manufacturing	7.5	2.5	13.7	10.9	0.0	1.9	0.2	36.6
Wholesale trade	2.4	2.2	8.2	9.6	14.9	2.7	0.4	40.4
Retail trade*	4.4	6.9	10.6	15.4	5.2	2.8	1.0	46.3
Transportation	0.5	1.4	8.2	6.1	1.2	1.2	0.7	19.3
Communications	1.6	0.5	5.2	5.1	6.5	1.0	0.1	20.2
Finance and Insurance	11.1	1.8	14.2	10.8	14.1	4.4	1.2	57.6
Real Estate	0.6	0.6	56.9	1.3	0.0	1.4	1.5	62.2
Management of Companies	7.3	0.1	0.6	0.5	0.0	5.6	0.3	14.4
Services	1.8	12.4	17.4	20.5	4.2	7.4	10.9	74.6
Other	1.9	3.3	19.4	20.6	0.0	16.0	2.7	63.8
Total Business Taxes	\$42.1	\$35.5	\$182.8	\$111.7	\$63.7	\$42.5	\$19.1	\$497.4

* Includes hospitality industries

Source: E&Y Calculations

Amounts may appear not to sum due to rounding.

Table 7 compares the composition of total state and local business taxes by major industry group. In formulating tax policy, the composition of business taxes should also be examined, consider-

ing the impact of taxes on business capital and the effect those taxes may have on the ability to retain and attract jobs and new investments.

Composition of Total State and Local Business Tax by Industry, FY2005
(Percentage of Total Business Taxes of the Industry)

Industry	Corporate Income Tax	Payroll Taxes	Property Taxes	General Sales Taxes on Business Inputs	Excise and Gross Receipts	Business License and Other Taxes	Individual Income Tax (on Pass-Through Business Income)	Total Business Taxes
Utilities	1.8%	0.7%	42.0%	7.5%	44.4%	3.5%	0.0%	100%
Manufacturing	17.5%	8.7%	38.6%	28.4%	0.2%	6.1%	0.4%	100%
Non Durable	13.9%	11.0%	39.9%	27.0%	0.5%	7.3%	0.4%	100%
Durable Manufacturing	20.5%	6.8%	37.5%	29.7%	0.0%	5.1%	0.5%	100%
Wholesale trade	6.0%	5.6%	20.3%	23.9%	36.8%	6.6%	0.9%	100%
Retail trade*	9.6%	15.0%	22.9%	33.3%	11.2%	6.1%	2.1%	100%
Transportation	2.3%	7.5%	42.3%	31.7%	6.2%	6.2%	3.7%	100%
Communications	8.2%	2.6%	25.9%	25.4%	32.1%	5.1%	0.7%	100%
Finance and Insurance	25.6%	3.0%	23.1%	17.5%	22.0%	6.9%	1.9%	100%
Real Estate	0.8%	0.8%	83.3%	1.9%	0.0%	10.5%	2.6%	100%
Management of Companies	51.0%	0.6%	4.0%	3.2%	0.0%	39.0%	2.1%	100%
Services	2.4%	16.7%	23.3%	27.5%	5.6%	10.0%	14.6%	100%
Other	3.3%	5.7%	33.0%	35.4%	0.0%	17.9%	4.7%	100%
Total Business Taxes	8.5%	7.1%	36.7%	22.5%	12.8%	8.5%	3.8%	100%

* Includes hospitality industries

Source: E&Y Calculations

Amounts may appear not to sum due to rounding.

Conclusions

State and local taxes paid by business in FY2005 totaled \$497 billion, an increase of over 25 percent from the level in FY2002, the trough of the economic slowdown. Total business taxes represent 43.6 percent of all state and local taxes collected in FY2005, up from 42.6 percent in FY2002.

The study finds that the increase in business taxes since FY2002 has accounted for nearly half of the increase in total state and local taxes. Annual increases in property taxes and sales tax on business inputs, the two largest state and local business taxes, accounted for most of the increase, but corporate income and employment taxes have shown their typical post-trough strong growth rates.

Relative to overall economic activity, state and local business taxes increased from 4.5 percent to 4.9 percent of private-sector GSP over the same period. In other words, the effective business tax rate increased from FY2002 to FY2005 because business taxes are increasing faster than overall business.

The composition of total state and local business taxes paid can vary dramatically by industry. As shown in this study, legacy taxes on traditionally regulated businesses can represent nearly half of the entire state and local tax burden paid by firms in these industries. Other industries, including manufacturing and transportation, continue to face significant property and sales taxes on business property.

In the current economic environment of increased global competition, continued deregulation, the growing importance of intangible assets, and increasingly mobile labor and capital, it is important for policymakers to understand the level and composition of their state's total state and local business taxes.

Appendix: Description of Methodology

The Ernst & Young 50-state business tax methodology uses detailed information from public sources to estimate the business share of each of 26 taxes at the state and local levels of government. Generally, business taxes include all taxes that are the legal liabilities of business, including taxes paid with respect to corporations; noncorporate businesses, including partnerships and sole-proprietorships; nonprofit entities; and rental property owned by individuals. Sales and excise taxes paid by households are not considered to be business taxes, even though the taxes may be the legal liability of retailers and wholesalers. The individual income taxes paid by owners of pass-through business entities are included.

PROPERTY TAXES

Real and Tangible Property Taxes. Tax data describing tax levies or taxable assessed value by class of property were obtained from state and local government agencies. Although each state differed in the data that was available, most states provided separate totals for residential and commercial taxable property values or tax levies, by real and personal property. In cases where statewide estimates were not available, we relied upon data for the largest counties or previous estimates of the business share.

Taxes on residential rental property are treated as business taxes, similar to the treatment by the U.S. Commerce Department in measuring national income. Many states included residential rental properties in the residential property tax base. These states' household property tax share was adjusted to remove the rental residential housing from the household share and allocate it to the business share. Educational, farm, and not-for-profit entity property was allocated

to business to the extent that it was taxed.

State Intangible Property Taxes. State-level property taxes on intangible property held by corporations and partnerships are allocated entirely to business.

SALES, GROSS RECEIPTS, AND EXCISE TAXES

General Sales Tax. Sales tax paid by businesses on purchases of goods and services used in operations and production and on business purchases of capital equipment was estimated using the E&Y 50-state sales tax model. The model estimates the total taxable business input purchases, business investment purchases, and personal consumption purchases that occur annually in each state to calculate the business share of total sales tax collections.

The sales tax model constructs state-specific industry-by-industry matrices of business input transactions, business investment transactions, and personal consumption transactions using economic and related data from government agencies. Business input transactions were estimated using national input-output relationships and data describing value-added, total sales, and employment by industry for each state. Business investments were estimated using national ratios of investment to output by industry and state specific estimates of output by industry. Based on the current level of economic activity in a state, investment due to expansion and the replacement of depreciating equipment and structures was estimated. Personal consumption expenditures were calculated based on Census data describing the sales to household consumers by each industry. National trade data was used to estimate retail sales to consumers, while state-specific estimates were used for the services

sectors. Additional data on utility and telecommunications sales was used to supplement the industry aggregate calculations and reflect the special tax treatment of these services.

To accurately reflect the sales tax due on business and household transactions, state and local tax laws were researched for each type of transaction. Each transaction type reflects a sales tax feature that can be generally applied across industries and commodities. For example, a computer manufacturer's purchase of electronic components may be exempt as manufacturing inputs that were directly used in the manufacturing process. The same purchase of electronic components by a business services firm, however, would be considered taxable or treated under a different exemption. These transaction categories reflect the state-specific sales tax treatment by purchaser for business investments, business purchases of operating and production inputs, and personal consumption expenditures.

A few states impose additional gross receipts taxes on businesses, such as Washington State's business and occupation tax, which were reflected in the Census general sales tax data. Because these taxes were the legal liability of business, they were considered business taxes in this analysis.

The sum of sales taxes on business inputs, investment expenditures, and business gross receipts was divided by total estimated state and local sales taxes to derive the business share. The business share was then used to calculate the actual dollar amount of business sales taxes paid, based on aggregate sales taxes reported by the

Census Bureau. Additional information is available from the COST report, “Sales Taxation of Business Inputs.”⁵

Gross Receipts Taxes on Insurance Premiums and Utility Receipts. Gross receipt taxes levied on insurance and utility companies were allocated to business because these taxes are often levied in lieu of generally applicable business taxes. Sales tax due on consumer purchases of these services, however, was not included in this category.

Motor Fuel Excise Taxes. Motor fuel taxes were allocated to the purchaser of the fuel, although many states require the wholesale distributor to remit such taxes. The percent of fuel consumed by business consumers was estimated using national input-output data describing the total value of petroleum refinery products used in commercial transportation activities and by household users. Purchases by other users of petroleum refinery products were excluded from the calculations under the assumption that these users were purchasing non-motor-fuel petroleum products.

Other Selective Sales Taxes. Excise taxes on alcohol, parimutuels, and tobacco were considered household taxes and excluded from the business tax estimates. The remaining selective sales taxes were allocated 50 percent to business and 50 percent to households.

INCOME TAXES

Corporation net income taxes were allocated entirely to business. Individual income taxes were allocated entirely to households, except the portion of these taxes due to income earned by owners of pass-through entities. Individual income taxes paid on corporate dividends were allocated entirely to households.

The individual income taxes paid on income earned by owners of pass-through

entities (partnerships, sole proprietorships, and Subchapter S corporations) were estimated based on net income after losses as reported by the IRS Statistics of Income. Pass-through entity income was allocated across states based on the U.S. Bureau of Economic Analysis’s state-by-state distribution of proprietorship income, which includes partnership and Subchapter S income. The SOI total pass-through entity net business income after losses was extrapolated to FY2005 based on the growth in national proprietorship income in the BEA personal income accounts. Individual income tax on pass-through business net income after losses was assumed to be at the state’s average tax rate on estimated adjusted gross income, which assumes that credits, deductions, and exemptions apply to business income, as well as to nonbusiness income.

ASSET TRANSFER TAXES

Documentary and Stock Transfer Taxes. These taxes on the transfer of ownership of an asset were allocated 94 percent to households and 6 percent to business. Only the 6 percent of these taxes that were estimated to arise from business acquisition of assets were considered paid by business.

Estate and Gift Taxes. All taxes on transfers of assets by gift or bequeath were assumed to be paid by individuals and were excluded from the business tax estimates.

LICENSE TAXES

Business License Taxes. These taxes were allocated entirely to business. License taxes paid by businesses selling entirely to consumers were allocated to business because these taxes are the statutory liability of business.

Motor Vehicle License Taxes. Taxes on motor vehicle licenses and registrations were allocated to business based on

U.S. Department of Transportation data describing the revenue for each type of vehicle by state. Automobile taxes and a portion of truck taxes were allocated to households, while all fees by weight, motor carrier fees, and other truck fees were allocated to business.

Driver’s License and Hunting and Fishing License Taxes. These fees and taxes were allocated to households because they were generally the liability of individuals, even if directly related to the operation of a business or profession.

OTHER TAXES

This category contains all taxes not listed above. For many states, the largest share of this category comes from local gross receipts taxes on business or business earnings. Many local taxes levied per capita on gross earnings of individuals or on gross receipts of businesses or professions were included in this category. Based on the taxes levied by local governments, the percent of this category paid by business was estimated independently for each state. If local jurisdictions in a state do not levy taxes on individual gross earnings or population, then these taxes were allocated to business. In states that levy both business and individual gross earnings taxes, these taxes were allocated based on the rate of tax and applicable base. This category also includes state and local severance taxes levied on natural resource extraction and depletion.

ECONOMIC MEASURES

Economic activity for purposes of calculating an effective tax rate measure applied to the disparate state and local business taxes was measured using private sector economic activity. Private sector economic activity is equivalent gross state product less public sector value added.

TOTAL STATE AND LOCAL BUSINESS TAXES

Total State and Local Business Taxes, 1980-2005 (Dollars in Billions)

TABLE A-1	State and Local Taxes	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005
	Total business taxes	105.0	164.2	230.2	304.5	383.6	397.3	396.8	411.0	449.8	497.4
	Individual income taxes on non-pass-through non business income	40.3	68.1	98.9	128.1	196.1	209.4	184.7	180.1	194.0	215.1
	Other taxes	78.1	118.0	172.5	227.9	334.3	323.6	350.5	364.5	396.5	428.1
Total State and Local Taxes	223.5	350.4	501.6	660.6	914.1	930.2	932.0	955.6	1,040.3	1,140.6	
Composition of State and Local Taxes	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	
Total business taxes	47.0%	46.9%	45.9%	46.1%	42.0%	42.7%	42.6%	43.0%	43.2%	43.6%	
Individual income taxes on non-pass-through non business income	18.0%	19.4%	19.7%	19.4%	21.5%	22.5%	19.8%	18.9%	18.7%	18.9%	
Other taxes	35.0%	33.7%	34.4%	34.5%	36.6%	34.8%	37.6%	38.1%	38.1%	37.5%	
Total State and Local Taxes	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: E&Y Calculations
Amounts may appear not to sum due to rounding.

Composition of State and Local Business Taxes, By Type, FY2005

TABLE A-2

State	Property Tax	Sales Tax on Business Inputs	Excise and Gross Receipts	Corporate Income	Unemployment Insurance Tax	Individual Income Tax (on Pass-Through Business Income)	Licenses and Other Taxes	Total Business Taxes
Alabama	24.4%	22.6%	25.9%	7.5%	6.1%	3.3%	10.2%	100.0%
Alaska	29.5%	0.0%	4.3%	23.2%	5.7%	0.0%	37.3%	100.0%
Arizona	39.8%	34.4%	9.7%	8.2%	2.9%	2.4%	2.7%	100.0%
Arkansas	29.9%	31.9%	12.6%	7.5%	8.9%	5.7%	3.5%	100.0%
California	27.5%	23.9%	13.3%	13.1%	7.9%	6.1%	8.2%	100.0%
Colorado	37.9%	31.3%	8.8%	4.4%	6.6%	6.3%	4.7%	100.0%
Connecticut	36.7%	24.3%	10.6%	8.6%	9.7%	7.0%	3.2%	100.0%
Delaware	12.8%	0.0%	10.4%	13.5%	4.2%	3.5%	55.7%	100.0%
Florida	36.3%	24.1%	24.8%	6.1%	4.0%	0.0%	4.7%	100.0%
Georgia	37.9%	31.4%	9.7%	5.5%	6.3%	5.4%	3.8%	100.0%
Hawaii	26.7%	32.3%	19.9%	6.6%	6.3%	4.1%	4.0%	100.0%
Idaho	41.5%	19.9%	9.5%	7.1%	7.9%	6.2%	7.9%	100.0%
Illinois	39.4%	14.0%	18.3%	9.9%	9.8%	2.4%	6.1%	100.0%
Indiana	57.1%	17.2%	6.0%	8.8%	6.1%	3.2%	1.6%	100.0%
Iowa	55.0%	16.0%	8.2%	4.2%	6.2%	3.9%	6.4%	100.0%
Kansas	44.9%	25.0%	9.6%	4.1%	7.3%	3.6%	5.5%	100.0%
Kentucky	26.2%	23.3%	15.8%	9.2%	6.9%	5.3%	13.2%	100.0%
Louisiana	23.5%	43.0%	10.9%	4.6%	2.2%	2.7%	13.2%	100.0%
Maine	57.5%	15.7%	7.9%	6.2%	4.2%	4.3%	4.3%	100.0%
Maryland	39.5%	13.0%	15.3%	9.7%	6.1%	5.8%	10.6%	100.0%
Massachusetts	44.2%	12.9%	7.0%	12.4%	14.2%	5.7%	3.5%	100.0%
Michigan	45.1%	17.1%	4.8%	11.4%	10.4%	3.0%	8.3%	100.0%
Minnesota	41.2%	18.7%	12.6%	9.5%	8.4%	3.8%	5.8%	100.0%
Mississippi	40.6%	26.2%	10.7%	10.0%	4.0%	2.7%	5.8%	100.0%
Missouri	32.4%	29.3%	15.0%	3.8%	6.6%	4.4%	8.5%	100.0%
Montana	53.9%	0.0%	14.4%	7.9%	6.1%	6.2%	11.5%	100.0%
Nebraska	42.9%	27.5%	8.6%	6.4%	4.3%	4.7%	5.8%	100.0%
Nevada	31.2%	27.9%	16.3%	0.0%	7.2%	0.0%	17.4%	100.0%
New Hampshire	54.5%	0.0%	14.5%	19.0%	3.7%	0.2%	8.1%	100.0%
New Jersey	39.8%	15.1%	10.6%	14.9%	9.9%	3.7%	6.0%	100.0%
New Mexico	15.8%	36.3%	9.9%	6.6%	2.6%	2.5%	26.1%	100.0%
New York	38.8%	23.8%	8.7%	12.5%	5.9%	7.0%	3.3%	100.0%
North Carolina	29.6%	21.3%	15.0%	11.6%	10.1%	5.3%	7.2%	100.0%
North Dakota	35.8%	13.4%	12.3%	6.0%	4.6%	2.5%	25.4%	100.0%
Ohio	37.8%	22.5%	9.2%	7.8%	5.6%	4.1%	12.9%	100.0%
Oklahoma	21.3%	30.8%	9.4%	4.0%	6.0%	6.9%	21.6%	100.0%
Oregon	42.0%	0.0%	10.0%	8.5%	18.0%	8.9%	12.6%	100.0%
Pennsylvania	31.0%	15.8%	13.4%	8.9%	12.8%	4.0%	14.1%	100.0%
Rhode Island	45.4%	20.3%	12.7%	5.9%	9.4%	3.3%	3.0%	100.0%
South Carolina	49.6%	19.5%	10.6%	4.8%	5.6%	3.4%	6.6%	100.0%
South Dakota	45.4%	31.2%	10.1%	3.7%	1.4%	0.0%	8.2%	100.0%
Tennessee	32.4%	30.5%	9.9%	9.4%	5.5%	0.2%	12.1%	100.0%
Texas	45.0%	24.5%	13.5%	0.0%	3.9%	0.0%	13.1%	100.0%
Utah	31.8%	27.6%	15.1%	6.9%	6.9%	6.1%	5.7%	100.0%
Vermont	53.7%	11.7%	15.7%	6.5%	5.0%	3.7%	3.6%	100.0%
Virginia	37.4%	13.7%	20.7%	6.0%	5.2%	4.8%	12.3%	100.0%
Washington	23.6%	45.4%	15.1%	0.0%	11.3%	0.0%	4.6%	100.0%
West Virginia	32.8%	11.3%	22.9%	10.3%	5.1%	2.9%	14.6%	100.0%
Wisconsin	45.4%	18.5%	8.9%	9.4%	7.0%	3.8%	7.0%	100.0%
Wyoming	33.3%	18.5%	3.2%	0.0%	1.7%	0.0%	43.4%	100.0%
Washington, DC	37.3%	14.9%	14.2%	9.5%	5.6%	8.4%	10.0%	100.0%
United States	36.7%	22.5%	12.8%	8.5%	7.1%	3.8%	8.5%	100.0%

Source: E&Y Calculations
Amounts may appear not to sum due to rounding.

TOTAL STATE AND LOCAL BUSINESS TAXES

Composition of State and Local Business Taxes, 1980-2005 (Dollars in Billions)

TABLE A-3	Business Tax	1980	1985	1990	1995	2002	2004	2005
	Property taxes on business property	\$38.0	\$57.6	\$85.6	\$112.6	\$149.7	\$167.1	\$182.8
	General sales taxes on business inputs	22.6	37.1	53.5	70.2	97.5	105.4	111.7
	Corporate income tax	13.4	19.3	23.7	31.7	29.2	34.0	42.1
	Payroll taxes	5.5	9.1	12.4	15.8	21.0	31.9	35.5
	Gross receipts taxes	9.0	14.6	18.8	23.6	29.5	34.5	39.2
	Excise taxes	4.6	7.2	10.6	16.0	20.6	21.6	24.5
	Business and corporation licenses	2.9	5.3	7.3	11.4	17.3	18.9	20.9
	Individual income tax on pass-through business income	1.8	2.3	6.7	9.8	15.3	17.2	19.1
	Other business taxes	7.2	11.8	11.5	13.3	16.8	19.3	21.6
	Total State and Local Business Taxes	\$105.0	\$164.2	\$230.2	\$304.5	\$396.8	\$449.8	\$497.4

Source: E&Y Calculations
Amounts may appear not to sum due to rounding

Endnotes

¹ Cline, Fox, Neubig and Phillips, “Total State and Local Business Taxes: Nationally 1980–2004 and by State 2000–2004,” April 12, 2005, updated national and state-by-state analysis of total state and local business taxes. Also in State Tax Notes, May 23, 2005. Cline, Fox, Neubig, and Phillips, “Total State and Local Business Taxes: A 50-State Study of the Taxes Paid by Business in FY2003,” January 2004, presented detailed state-by-state analysis of total state and local business taxes. Also in State Tax Notes, February 26, 2004. Cline, Fox, Neubig, and Phillips, “Total State and Local Business Taxes: Fiscal Year 2003 Update,” September 2003, updated the national estimates to fiscal year 2003. Also in State Tax Notes, October 14, 2003. Cline, Fox, Neubig, and Phillips, “A Closer Examination of the Total State and Local Business Tax Burden,” January 2003, presented trends in state and local business taxes nationally from 1980 through fiscal year 2002. Also in State Tax Notes, January 17, 2003.

² Cline, Kim, and Phillips, “Property Taxes on Business Capital: Large and Growing Share of State and Local Business Taxes,” presented at the National Tax Association Annual Conference, November 2005.

³ A more detailed analysis of state and local sales taxation of business inputs was done by Robert Cline, John Mikesell, Tom Neubig and Andrew Phillips in the COST study, “Sales Taxation of Business Inputs: Existing Tax Distortions and the Consequences of Extending the Sales Tax to Business Services,” January 25, 2005. Also in State Tax Notes, January 28, 2005.

⁴ Some of the historical numbers reported have been revised from the earlier business tax studies as a result of the use of more detailed information on business taxes by state and feedback from state tax agencies.

⁵ Cline, Mikesell, Neubig, and Phillips, “Sales Taxation of Business Inputs: Existing Tax Distortions and the Consequences of Extending the Sales Tax to Business Services,” January 25, 2005. Also in State Tax Notes, January 28, 2005.

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