

Total State and Local Business Taxes

This is a summary of the sixth annual report prepared by Ernst & Young LLP in conjunction with COST that provides detailed state-by-state estimates of state and local taxes paid by business. The information included is from prior studies with new estimates for fiscal year 2007. These studies examine the

level of state and local business taxes relative to the value of public services and infrastructure used by business, suggesting that tax competitiveness involves evaluating business taxes and the level of government services.

The state-by-state estimates reveal significant variation in the share of state

and local taxes paid by business across the states. The business share is determined by a state's overall tax structure, the composition of its economy and the types of business taxes levied. The study also examines the level of state and local business taxes as a share of private-sector economic activity in each state.

Key findings include:

Business Share of Total State and Local Taxes (FY-2007)

- United States 44.1%
- U.S. Range 32.3% to 83.3%
- High (Alaska) 83.3% (Rank = 1st)
- Low (Maryland) 32.3% (Rank = 51st)
- Total State and Local Taxes in N.J. equals \$54.5 billion
- Business Share of Total State and Local Taxes in N.J. equals \$20.2 billion
- N.J. Business share 37.1% (**Rank = 47th**)

Business Share of Tax Growth in Total State and Local Taxes (FY-2002 to FY-2007)

- United States 45.8%
- U.S. Range 25.4% to 88.6%
- High (Alaska) 88.6% (Rank = 1st)
- Low (Indiana) 25.4% (Rank = 51st)
- Tax Growth of Total State and Local Taxes in N.J. equals \$18.6 billion
- Business Share to Tax Growth in N.J. equals \$6.7 billion
- New Jersey 35.7% (**Rank = 48th**)

The ratio of business taxes to government expenditures for services benefiting businesses is very sensitive to assumptions about who benefits from public spending for education, one of the largest state and local expenditure categories. Prior analyses have incor-

porated a range of estimates, assuming that businesses receive between 0% and 50% of the benefit from expenditures for education. The estimates presented in this study summarized above assume that 25% of the education expenditures directly benefit business.

Source: Total state and local business taxes 50-state estimates for FY-2007 (Ernst & Young)