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## Best States for Paying Taxes, Selecting Sites

By MITCH R. CONFESOR

WHERE can we find the best places in the United States, as a taxpayer or a business doing site selection? Combine the list from Washington DC think tanks Tax Foundation and Wallethub by Evolution Finance, and we get our answer.

For 2019, the best places to pay taxes would be Wyoming and Alaska, as well as Montana and Nevada. And what would be the worst places for paying taxes and selecting sites, according to these two lists? Well, there's Connecticut and New York, as well as California and New Jersey.

For its [State Business Tax Climate Index 2019](#), Tax Foundation factored in:

1. Individual Income Tax (30%)
2. Sales Tax (25%)
3. Corporate Income Tax (20%)
4. Property Tax (15%)
5. Unemployment Insurance Tax (10%)

WalletHub, for its part, looked at these [four different types of taxation](#):

1. Real-Estate Tax;
2. Vehicle Property Tax;
3. Income Tax; and
4. Sales & Excise Tax.

The 2019 State Business Tax Climate Index provides a roadmap for how state governments can improve their tax systems structure. Therefore, the index enables business leaders, government policymakers, and taxpayers to better gauge their states' tax systems.

## Top States for Taxpayers

Wallethub ranks the five best states for taxpayers as Alaska, Delaware, Montana, Wyoming, and Nevada. Meanwhile, it ranks the five worst states as Illinois, Connecticut, Pennsylvania, New York, and Nebraska.

Tax Foundation rates Wyoming, Alaska, South Dakota, Florida, Montana, New Hampshire, Oregon, Utah, Nevada, and Indiana in the Top 10. Meanwhile, at the bottom of the list are New Jersey, California, New York, Connecticut, Arkansas, Iowa, Louisiana, and Minnesota.

So what makes one state attractive for taxpayers and site selectors? The common factor seems to be the absence of one or more of the major taxes. And this is either the corporate income tax, the individual income tax, or the sales tax.

Although each state levies a property tax or an unemployment insurance tax, several states do not levy any major tax. Wyoming, Nevada, and South Dakota have no corporate or individual income tax, though Nevada imposes gross receipts taxes.

## Major Tax Types

Tax Foundation reveals that Alaska has no individual income or state-level sales tax. Add to this, Florida has no individual income tax, while New Hampshire, Montana, and Oregon have no sales tax.

But even if states still go levying all the major tax types, a state can still rate best for taxpayers. For example, Utah and Indiana levy all of the major taxes, but do so with low rates on broad bases.

According to Wallethub, gas taxes also play a role. Alaska pays the cheapest per gallon, followed by Missouri, Mississippi, New Mexico, and Arizona.

Pennsylvania, meanwhile, pays the most expensive gas taxes, Wallethub reveals. Coastal states like California, Washington, Hawaii, and New York also have the worst gas rates.

## Bottom States

The low-ranking states “tend to have a number of afflictions in common: complex, nonneutral taxes with comparatively high rates.”

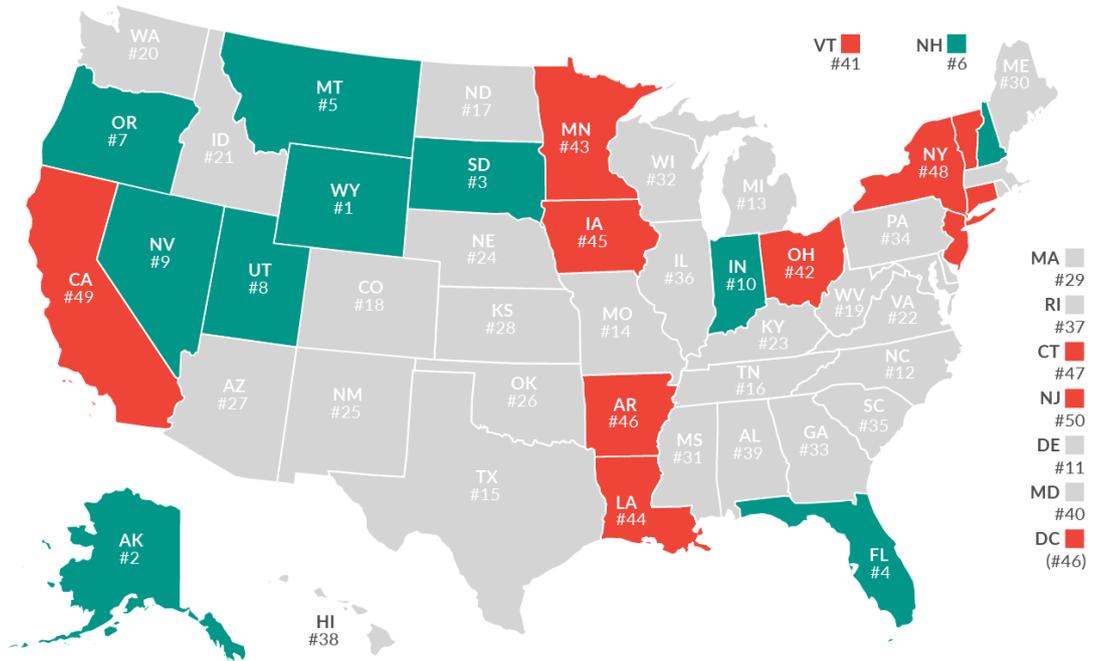
For example, New Jersey has some of the highest property tax burdens, and has the second highest corporate income tax. Also, it levies an inheritance tax and maintains some of the worst-structured individual income taxes, Tax Foundation notes.

And being a homeowner in New Jersey isn't cheap at all, Wallethub adds. In fact, NJ residents have seen the highest real-estate or property taxes, like those in Illinois, Connecticut, and Wisconsin.

Generally, businesses tend to locate where they get the greatest competitive advantage. Therefore, states with the best tax systems will be the most competitive in attracting new businesses.

Moreover, the best states for taxpayers will also be the most effective in generating economic and employment growth. Hence, the places with the most competitive tax systems will reap the benefits of business-friendly tax climates.

## 2019 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2018 (the beginning of Fiscal Year 2019).  
Source: Tax Foundation.

■ 10 Best Business Tax Climates  
■ 10 Worst Business Tax Climates

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While taxes are just one factor in business decision-making, together with a skilled labor pool and access to raw materials or infrastructure, a simple, sensible tax system can positively impact business operations with regard to these resources, Tax Foundation says.

And unlike changes to a state's healthcare, transportation, or education systems, which can take decades to implement, changes to the tax code can quickly improve a state's business climate.

### States vs States

In fact, a state's stiffest competition often comes from other states. Most mass US job relocations are from one state to another rather than to a foreign location. US policymakers may just have misplaced concern on how their states rank in the global competition for jobs and capital.

States, in fact, need to worry more with companies moving or relocating from Detroit in Michigan, to Dayton in Ohio. Therefore, states need to worry less with companies relocating from Detroit to New Delhi in India.

State lawmakers must be aware of how their states' business climates match up against their immediate neighbors and to other regional competitor states.

California's Intel built in 2005 a multibillion chip-making facility in Arizona due to its favorable corporate income tax system. Northrup Grumman chose in 2010 to move its headquarters to Virginia over Maryland, citing the better business tax climate. General Electric and Aetna threatened in 2015 to leave Connecticut due to a planned corporate tax increase; GE actually did.

To note, business taxes affect:

1. business decisions,
2. job creation and retention,
3. plant location,
4. competitiveness,
5. transparency of the tax system, and
6. long-term health of a state's economy.

Since taxes diminish profits, businesses may pass that cost along to either:

1. consumers (thru higher prices),
2. employees (thru lower wages or fewer jobs), or
3. shareholders (thru lower dividends/share value), or
4. some combination of the above.

Thus, states with lower tax costs will be more attractive to business investments, and more likely to experience economic growth.

## ***About TDS (TeleDevelopment Services Inc.)***

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