

# SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL

## BUSINESS TAX INDEX 2009

• **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 influences business far more than generally assumed because more than 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.*<sup>1</sup>

### State Rankings of Top Personal Income Tax Rates

Rank	State	Top PIT Rate	Rank	State	Top PIT Rate
1t	Alaska	0.000	26	Iowa	5.837
1t	Florida	0.000	27	Ohio	5.925
1t	Nevada	0.000	28	Delaware	5.950
1t	New Hampshire	0.000	29t	Georgia	6.000
1t	South Dakota	0.000	29t	Kentucky	6.000
1t	Tennessee	0.000	29t	Missouri	6.000
1t	Texas	0.000	32	Maryland	6.250
1t	Washington	0.000	33	Kansas	6.450
1t	Wyoming	0.000	34t	Rhode Island	6.500
10	Illinois	3.000	34t	West Virginia	6.500
11	Pennsylvania	3.070	36	Wisconsin	6.750
12	Alabama	3.250	37	Nebraska	6.840
13	Indiana	3.400	38	Montana	6.900
14	Louisiana	3.900	39t	Arkansas	7.000
15	Michigan	4.350	39t	South Carolina	7.000
16	Arizona	4.540	41	North Carolina	7.750
17	Colorado	4.630	42	Idaho	7.800
18	New Mexico	4.900	43	Minnesota	7.850
19t	Connecticut	5.000	44	Hawaii	8.250
19t	Mississippi	5.000	45t	Dist. of Columbia	8.500
19t	Utah	5.000	45t	Maine	8.500
22	Oklahoma	5.250	47t	New Jersey	8.970
23	Massachusetts	5.300	47t	New York	8.970
24	North Dakota	5.540	49	Oregon	9.000
25	Virginia	5.750	50	Vermont	9.500
			51	California	10.550

<sup>1</sup> Data Source: CCH Incorporated, *2009 State Tax Handbook*, the Tax Foundation, and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.