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# House Majority Policy Committee

Rep. Kerry Benninghoff, Chairman

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## **Review of State Business Climate Rankings**

**2015 State Business Tax Climate Index, The Tax Foundation, Scott Drenkard and Joseph Henchman, October 28, 2014, available at: <http://taxfoundation.org/article/2015-state-business-tax-climate-index>**

- A ranking of each state based on over 100 different variables in the five important areas of taxation (corporate taxes, individual income taxes, sales taxes, unemployment insurance taxes, and property taxes). The factors measure each state's tax rates and the breadth of the tax bases.
- PA ranked 34<sup>th</sup> overall, 46<sup>th</sup> in corporate taxes, 17<sup>th</sup> in individual income taxes, 24<sup>th</sup> in sales taxes, 42<sup>nd</sup> in property taxes, and 50<sup>th</sup> in unemployment taxes.

**Best/Worst States for Business, CEO Magazine, J.P. Donlon, May 8, 2014 available at:**

**<http://chiefexecutive.net/best-worst-states-for-business-2014#ranking>**

- A survey of 500 national CEO's on the impression of each state's business climate, including taxation policy, regulations, workforce quality, and quality of life.
- PA ranked 42<sup>nd</sup> nationally and did not improve or worsen its ranking from the previous year.

**America's Top States for Business 2014, CNBC Special Report, available at:**

**<http://www.cnbc.com/id/101758236>**

- A ranking of states based on 56 measures of competitiveness developed with the input from business groups including the National Association of Manufacturers and the Council on Competitiveness. The rankings are intended to quantify how states market themselves to businesses based on criteria businesses use to determine location.
- PA ranked 42<sup>nd</sup> overall, 42<sup>nd</sup> in Cost of Business, 48<sup>th</sup> in Workforce, 6<sup>th</sup> in Education, 8<sup>th</sup> in Technology and Innovation, and 35<sup>th</sup> in Quality of Life.

**The Best States for Business and Careers, Forbes Magazine, November 2014, available at:**

**<http://www.forbes.com/best-states-for-business/list/>**

- A state-by-state ranking comparing both a state's business climate and quality of life as a holistic view of the state's business and career potential.
- PA ranked 30<sup>th</sup> overall, 42<sup>nd</sup> in business costs, and 33<sup>rd</sup> in labor supply, 21<sup>st</sup> in regulatory environment, and 38<sup>th</sup> in growth prospects. On a positive note, PA ranked 7<sup>th</sup> in quality of life.

**Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index, 7<sup>th</sup> edition, Arthur B. Laffer, Stephen Moore, and Johnathan Williams, 2014, available at:**

**[http://alec.org/docs/RSPS\\_7th\\_Edition.pdf](http://alec.org/docs/RSPS_7th_Edition.pdf)**

- A ranking of each state's economic performance based on three economic metrics including gross domestic state product (GSP), absolute domestic migration, and non-farm

payroll growth. The report also ranks each state's economic outlook based on 15 objective policy variables including tax burden, tax changes, regulatory burdens and labor policy.

- PA ranked 37<sup>th</sup> in economic performance and 33<sup>rd</sup> in economic outlook.

***Competitiveness of State and Local Business Taxes on New Investment***, Ernst & Young and Council of State Taxation (COST), April 2011, available at:

<http://www.cost.org/Page.aspx?id=69994>

- A report produced by Ernst & Young's Quantitative Economics and Statistics practice comparing each state's tax liability associated with new investment. The report gives particular focus on industries that are able to choose the location of factories or headquarters. These industries are particularly responsive to state policy changes.
- PA ranked 20<sup>th</sup> and 21<sup>st</sup> in effective tax rates, as weighted for capital investment and jobs, respectively.

***The 2014 State New Economy Index: Benchmarking Economic Transformation in the States***, Information Technology and Innovation Foundation, Robert D. Atkinson and Adams B. Nager, June 2014, available at: <http://www2.itif.org/2014-state-new-economy-index.pdf>

- A ranking of each state based on how effectively the economy has transitioned to the modern global economy, including indexes measuring economic dynamism, technological innovation, the response to globalism, the growth of knowledge-based jobs, and the distribution of information through the digital economy.
- PA ranked 22<sup>nd</sup> overall. However, the state ranked 49<sup>th</sup> in entrepreneurial activity and 36<sup>th</sup> in immigration of knowledge workers.

***Business Tax Index 2014: Best to Worst Tax Systems for Entrepreneurship and Small Business***, Small Business & Entrepreneurship Council, Raymond J. Keating, April 2014, available at:

<http://www.sbecouncil.org/wp-content/uploads/2014/04/BTI2014Final.pdf>

- A ranking of tax rates and structures that affect business, particularly those taxes that impact small businesses and entrepreneurs.
- PA ranked 25<sup>th</sup> overall, a position that was aided by having the second lowest personal income tax rate of any state that levies it. PA was dead last, however, in terms of corporate income taxes.

***Freedom in the 50 States: An Index of Personal and Economic Freedom***, Mercatus Center at George Mason University, 2013, William P. Ruger & Jason Sorens, available at:

<http://freedominthe50states.org/download/print-edition.pdf>

- An index of states' public policies that affect individual freedoms in the economic, social, and personal spheres.
- PA ranked 31<sup>st</sup> overall, 28<sup>th</sup> in fiscal freedom, 31<sup>st</sup> in regulatory freedom, and 30<sup>th</sup> in economic freedom.

***Location Matters: A Comparative Analysis of State Tax Costs on Business***, The Tax Foundation and KPMG, 2012, available at: <http://taxfoundation.org/article/location-matters>

- The study, led by KPMG, modeled the impact of each state's tax on 7 model firms representing a variety of business structures and development stages.
- PA ranked 50<sup>th</sup> overall for mature businesses, 49<sup>th</sup> overall for newly established businesses.