

The background of the slide is a photograph of the New York City skyline at dusk, featuring the Freedom Tower and other skyscrapers reflected in the water. A yellow rectangular box with a diagonal cut on the top-left corner is positioned on the left side of the image, containing the title and subtitle text.

# Total state and local business taxes

State-by-state estimates for FY21

**October 2023**

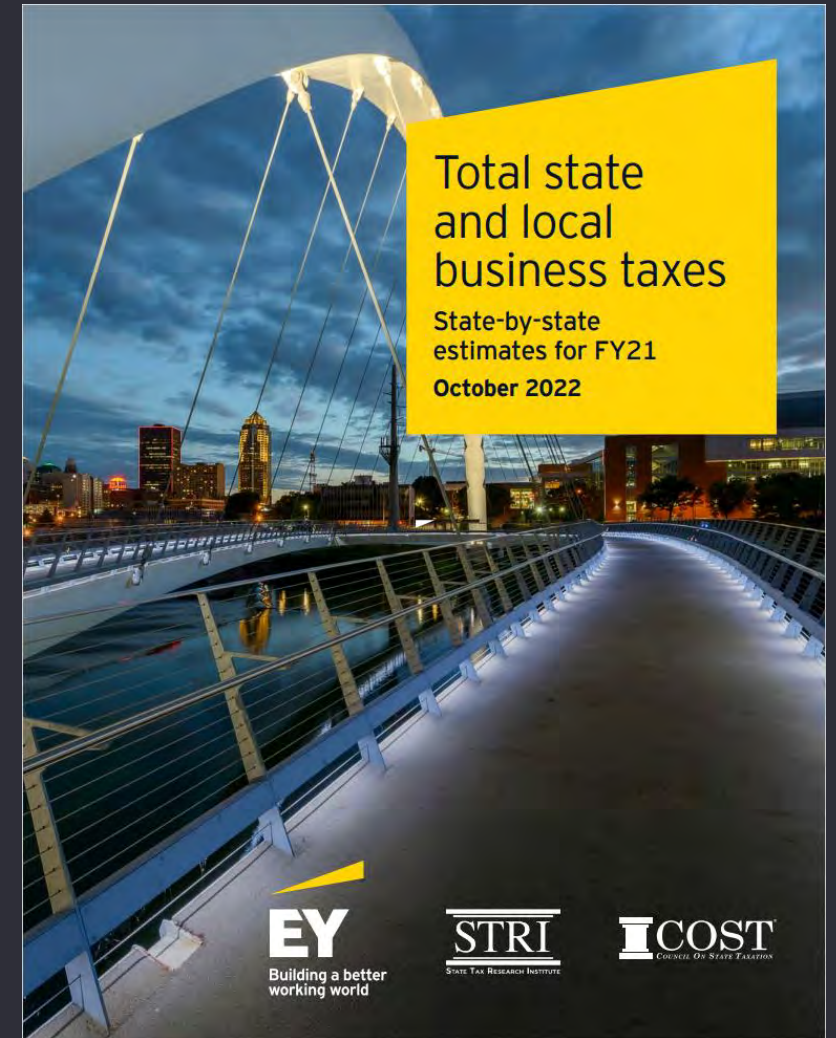
# Overview and agenda

## Overview

- ▶ FY21 20<sup>th</sup> edition; conducted since 2003
- ▶ Motivated by 2001 recession; declining corporate income taxes
- ▶ Presents measures of the total dollar amount of state and local taxes, with context measures

## Agenda

- ▶ Overview of estimation approach
- ▶ Key results
- ▶ State-level estimates
- ▶ Trends over time
- ▶ Considerations on the use of results



# Estimation approach

US Census Bureau State and Local Finances data

Reclassifications, projecting local tax data forward one year

## 1. Estimated shares

**Sales tax** estimates using model

- ▶ I-O and Economic Census Data
- ▶ Sales tax law database
- ▶ State and local sales tax rates

**Individual income tax** on pass-thru

- ▶ BEA proprietor income
- ▶ IRS SOI data

## 2. Researched shares

**Property tax** uses levy data; assessments

- ▶ Levy by class or type
- ▶ Assessment by class or type
- ▶ Reallocation of residential rental

**Motor vehicle license, motor fuels**

**Documentary & stock transfer**

## 3. Allocated shares

Full business allocation:

- ▶ **Corporate income**
- ▶ **Business and corporate license**
- ▶ **Utility receipts, insurance**
- ▶ **Severance**

Full household allocation:

- ▶ **Cigarette, alcohol, pari-mutuel**
- ▶ **Amusement sales and license**

Total business taxes

Business share

Total Effective Bus Tax Rate

Tax/\$ govt business spending

# Range of business shares by tax type

Estimated percentage of total tax collections paid by business, by state, FY 2021

	Minimum state	Mean	Maximum state
Corporate income tax	100%	100%	100%
Unemployment tax	100%	100%	100%
Licenses	30%	59%	96%
Property tax	27%	58%	84%
Excise tax	36%	49%	80%
Sales tax	32%	42%	60%
Other taxes	2%	41%	100%
Individual income tax	7%	11%	22%
Total business share	31%	46%	71%



# Total state and local business taxes

State and Local Business Taxes, FY 2020-2021  
(\$Billions)

Business tax	FY2020	FY2021	2021 % of total taxes	One-year change
Property taxes on business property	\$329.6	\$368.8	38.8%	11.9%
General sales taxes on business inputs	180.4	194.5	20.4%	7.8%
Corporate income tax	72.4	111.0	11.7%	53.3%
Individual income tax on business income	45.0	59.1	6.2%	31.4%
Excise taxes	52.5	53.8	5.7%	2.3%
Business and corporate license	42.3	45.1	4.7%	6.7%
Unemployment insurance	34.8	36.1	3.8%	3.7%
Insurance premium taxes	25.7	27.4	2.9%	6.6%
Public utility taxes	27.6	27.1	2.8%	-1.8%
Severance taxes	11.6	11.8	1.2%	2.4%
Other business taxes	15.4	16.5	1.7%	7.5%
<b>Total state and local business taxes</b>	<b>\$837.3</b>	<b>\$951.4</b>	<b>100.0%</b>	<b>13.6%</b>

# Total state business taxes

State Business Taxes, FY 2020-2021  
(\$Billions)

Business Tax	FY2020	FY2021	% 2021 of total taxes	One-year change
General sales and use tax on inputs	\$138.2	\$149.7	30.3%	8.4%
Corporate net income	\$64.7	\$103.1	20.9%	59.4%
Individual income tax on business income	\$41.1	\$55.0	11.1%	34.0%
Excise taxes on business inputs	\$43.7	\$44.6	9.0%	2.0%
Unemployment insurance	\$34.8	\$36.1	7.3%	3.7%
Business license tax	\$26.4	\$28.5	5.8%	8.1%
Insurance premium tax	\$24.6	\$26.3	5.3%	6.8%
Property tax on business property	\$12.2	\$13.0	2.6%	6.3%
Public utility tax	\$12.4	\$12.1	2.4%	-2.4%
Severance taxes	\$11.5	\$11.8	2.4%	2.4%
Other business taxes	\$12.4	\$13.4	2.7%	8.3%
Total state business taxes	\$422.0	\$493.7	100.0%	17.0%

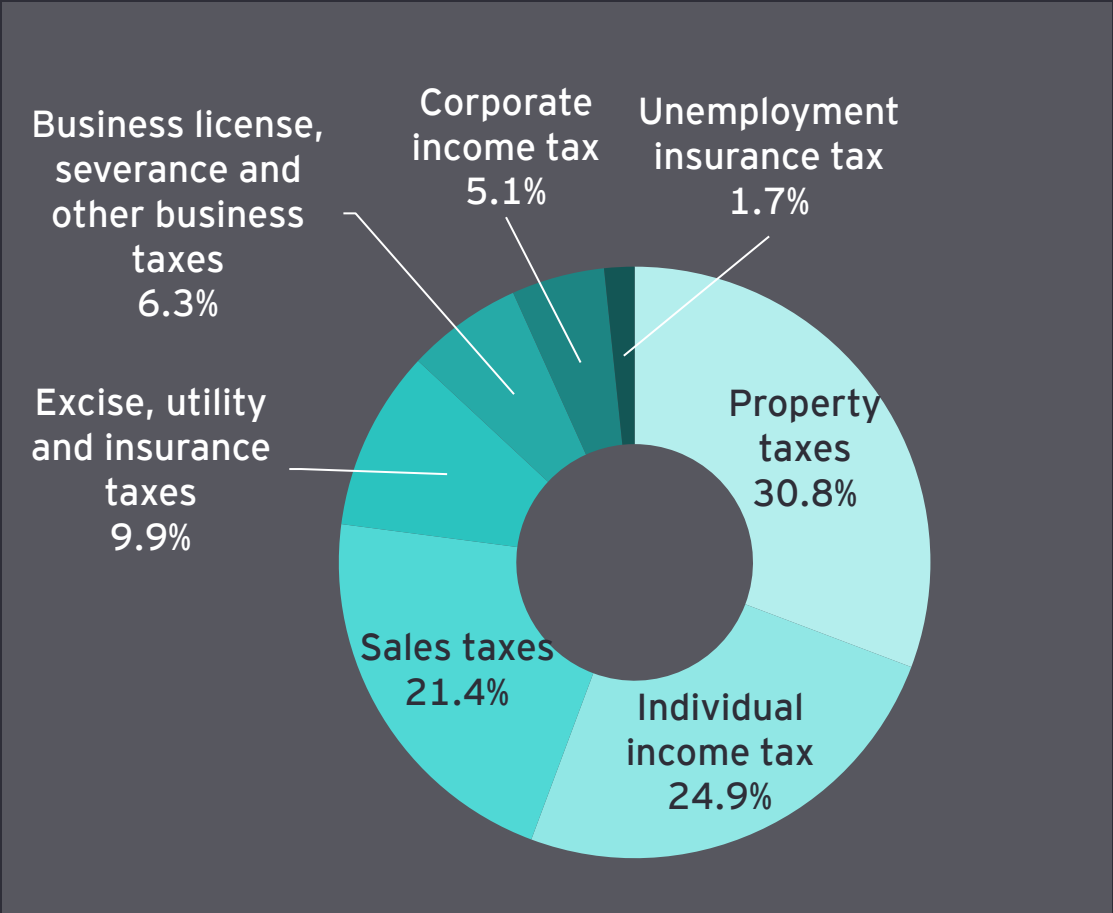
# Total local business taxes

Local Business Taxes, FY 2020-2021  
(\$Billions)

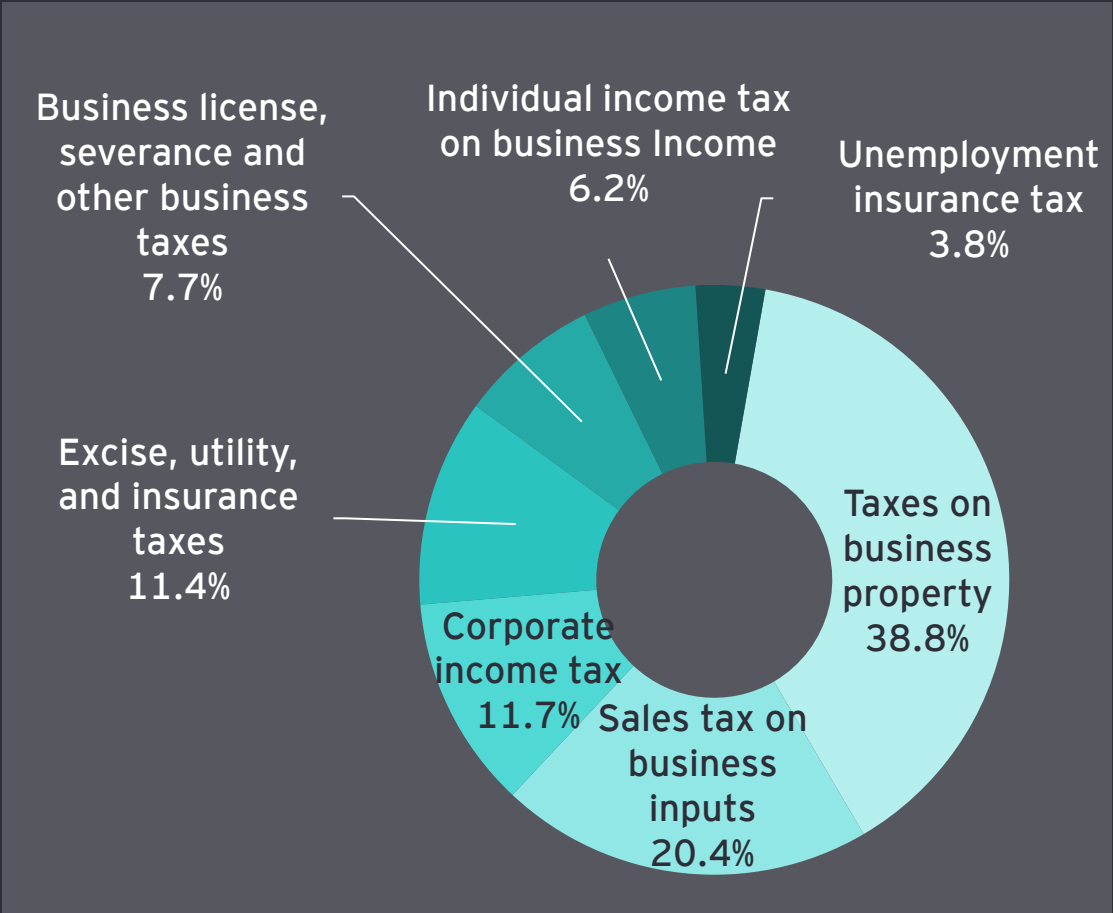
Business Tax	FY2020	FY2021	% 2021 of total taxes	One-year change
Property taxes on business property	\$317.3	\$355.8	77.8%	12.1%
General sales taxes on business inputs	\$42.3	\$44.8	9.8%	5.8%
Public utility taxes	\$15.2	\$15.0	3.3%	-1.2%
Excise taxes on business inputs	\$8.8	\$9.2	2.0%	4.1%
Other business taxes	\$31.6	\$32.9	7.2%	3.9%
<b>Total Business Taxes</b>	<b>\$415.2</b>	<b>\$457.61</b>	<b>100.0%</b>	<b>10.2%</b>

# Composition of total state and local business taxes (2021)

Composition of total state & local taxes on businesses and households

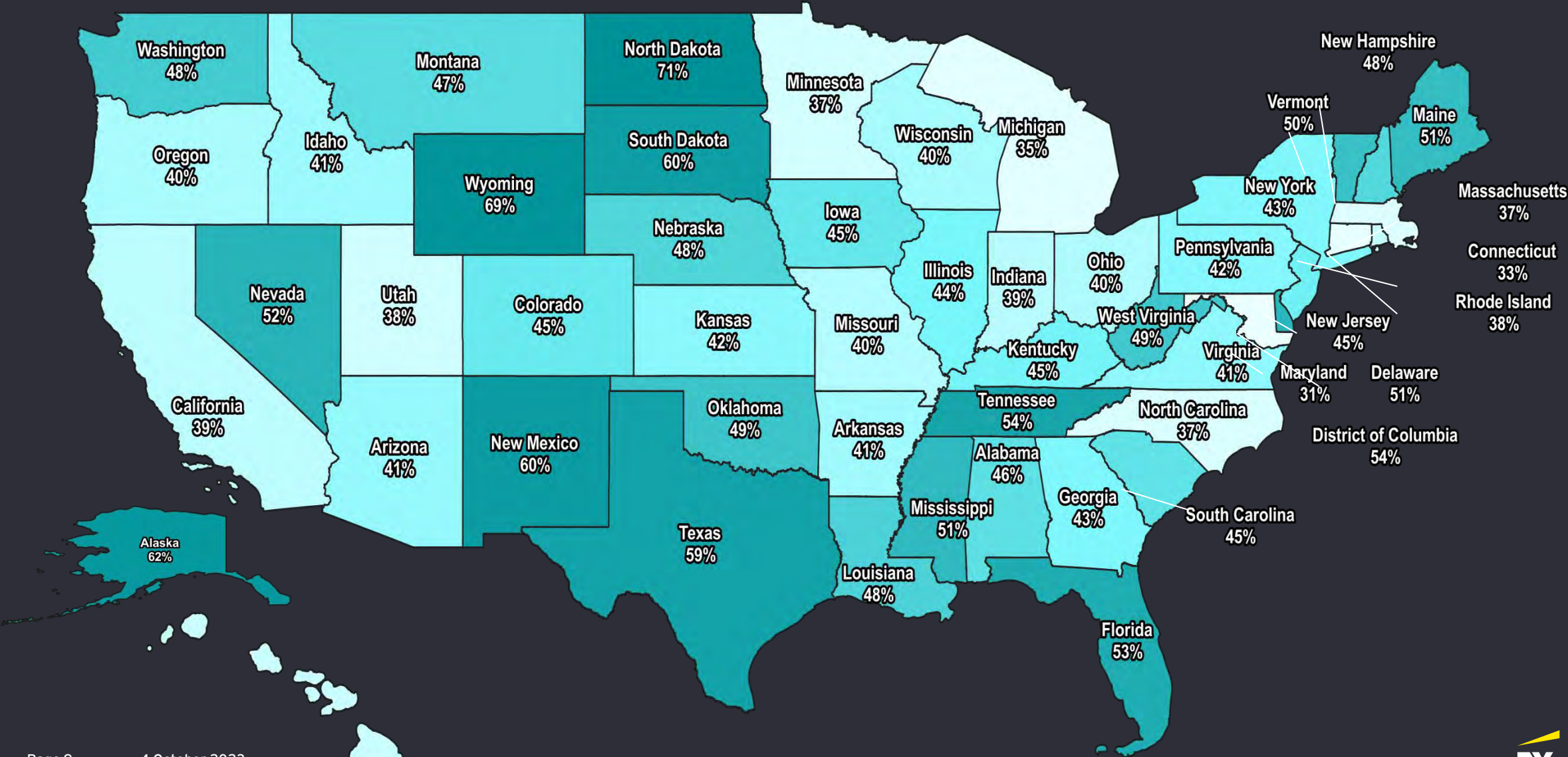


Composition of total state & local taxes on businesses





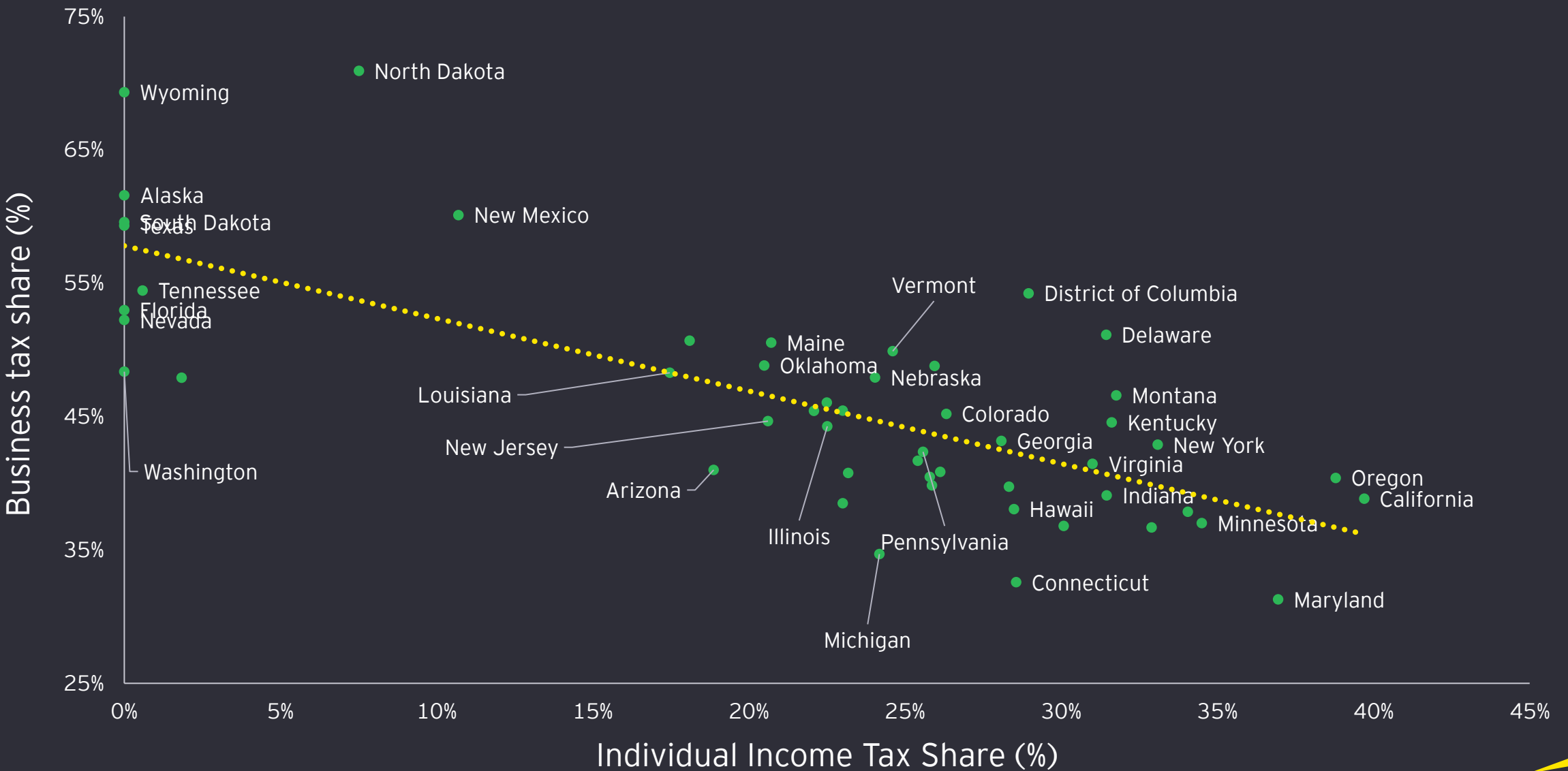
# Business tax share, FY2021



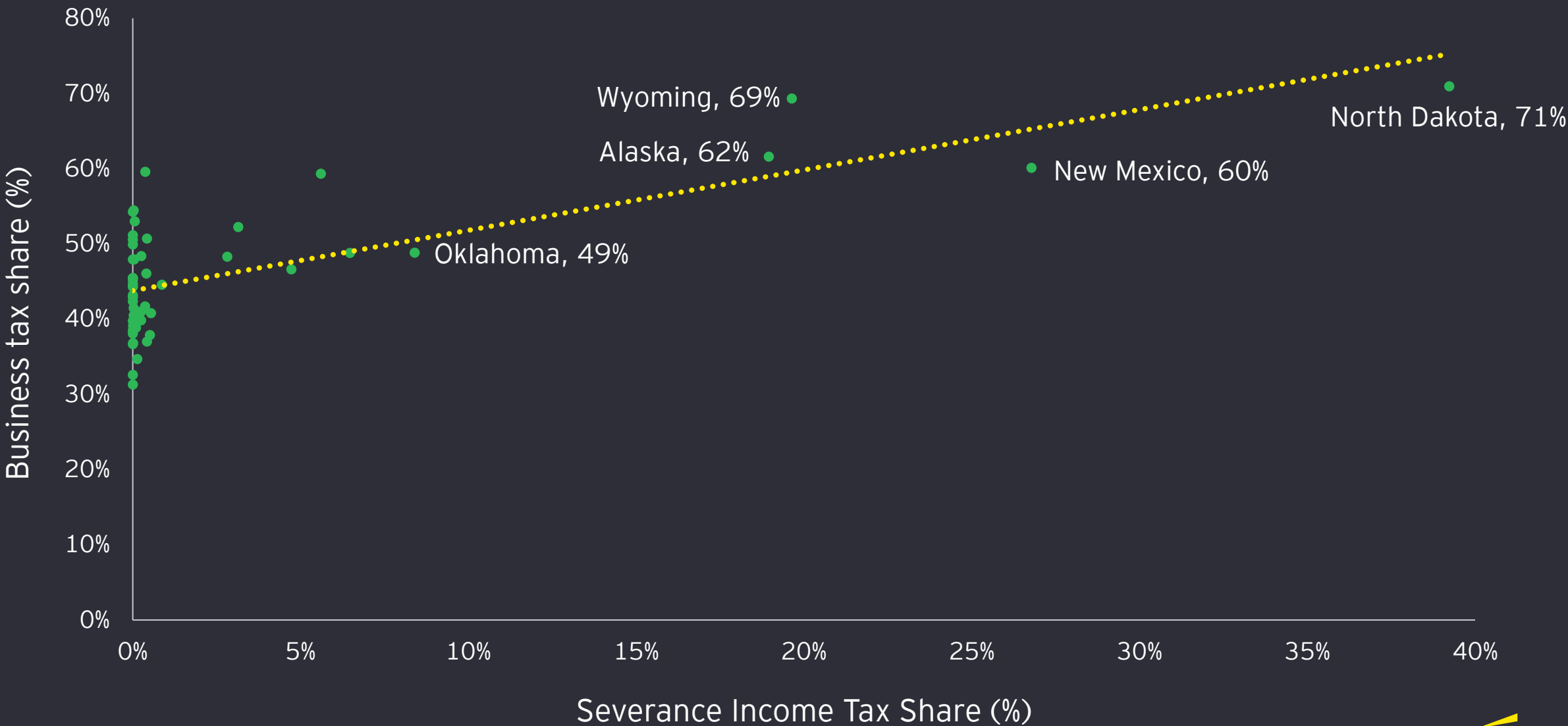
# Business tax share vs total effective business tax rate



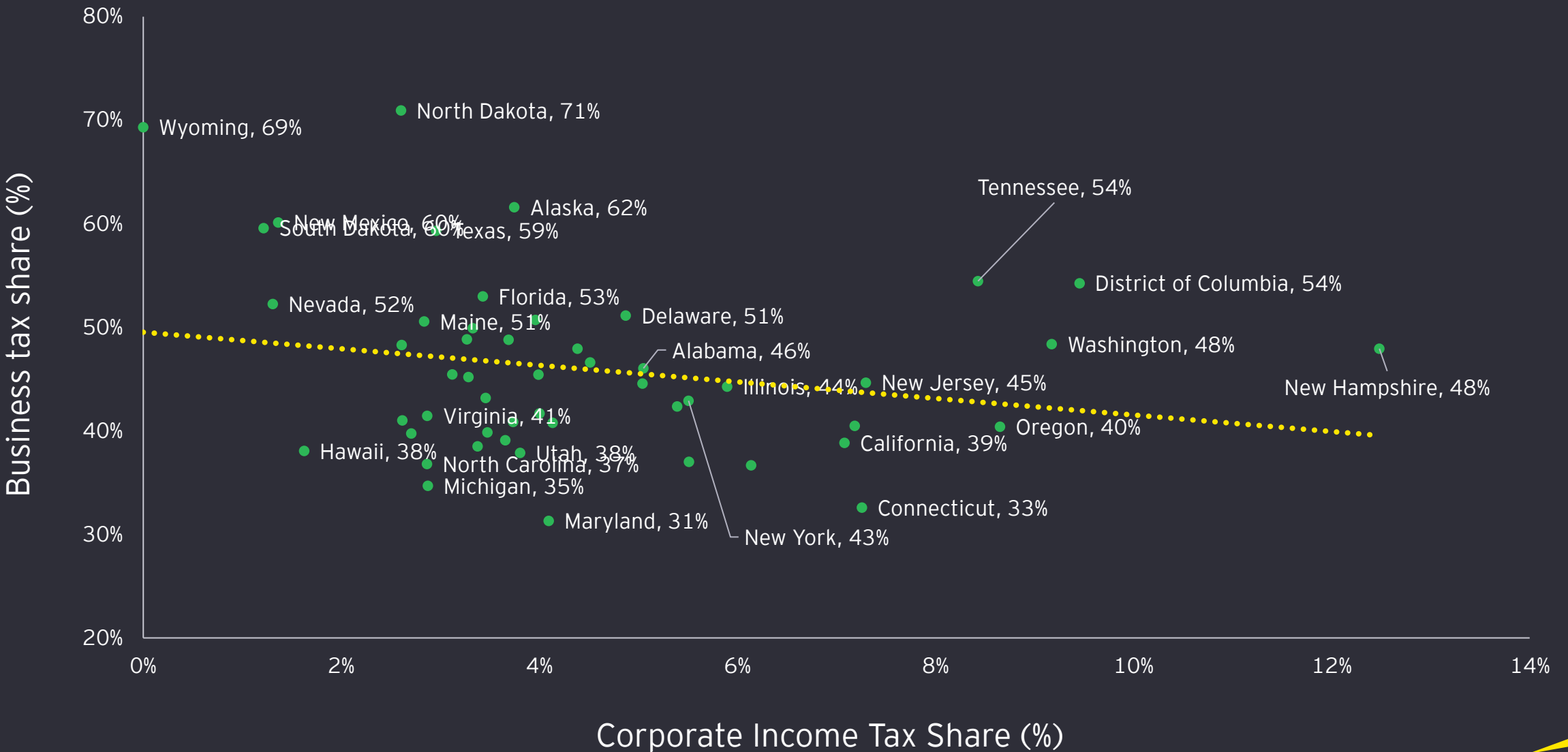
# Business tax share and individual income tax share of S&L revenues



# Business tax share vs severance tax share of S&L revenues



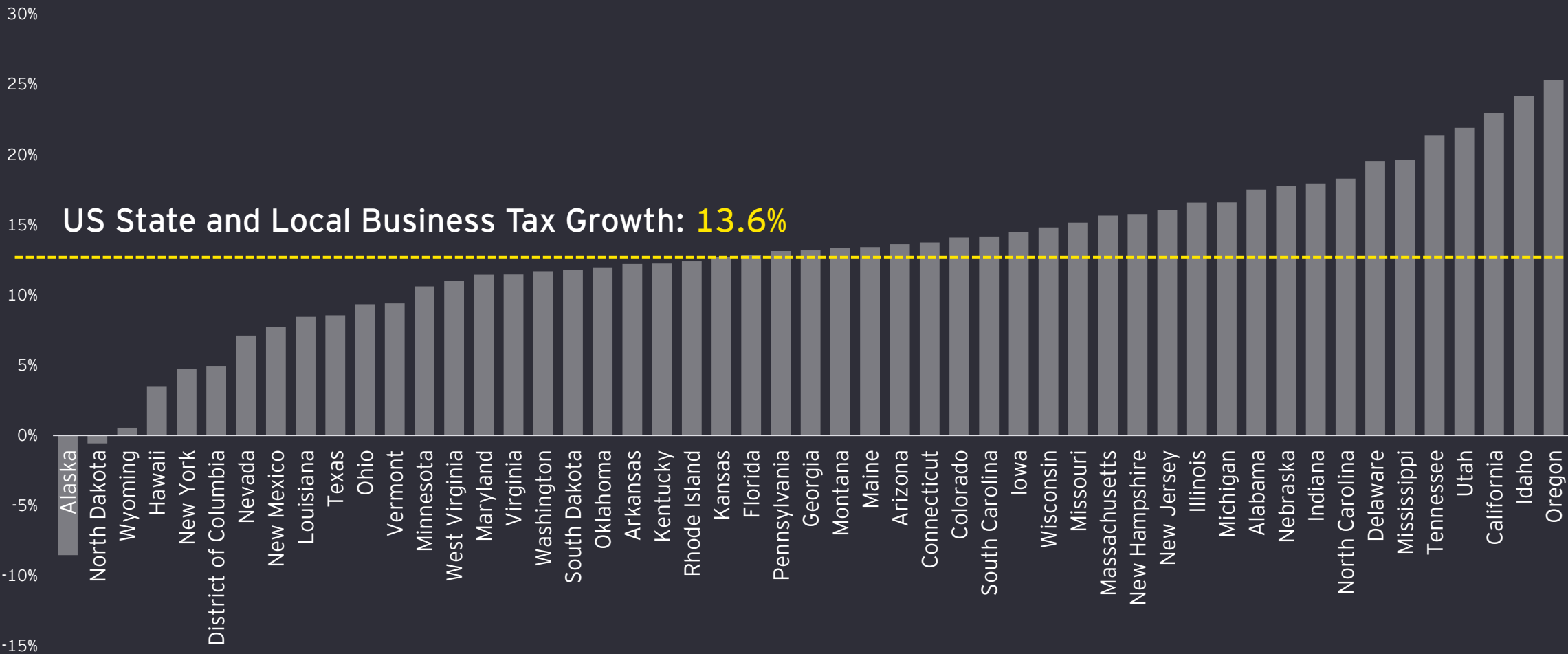
# Business tax share vs corporate income tax share of S&L revenues





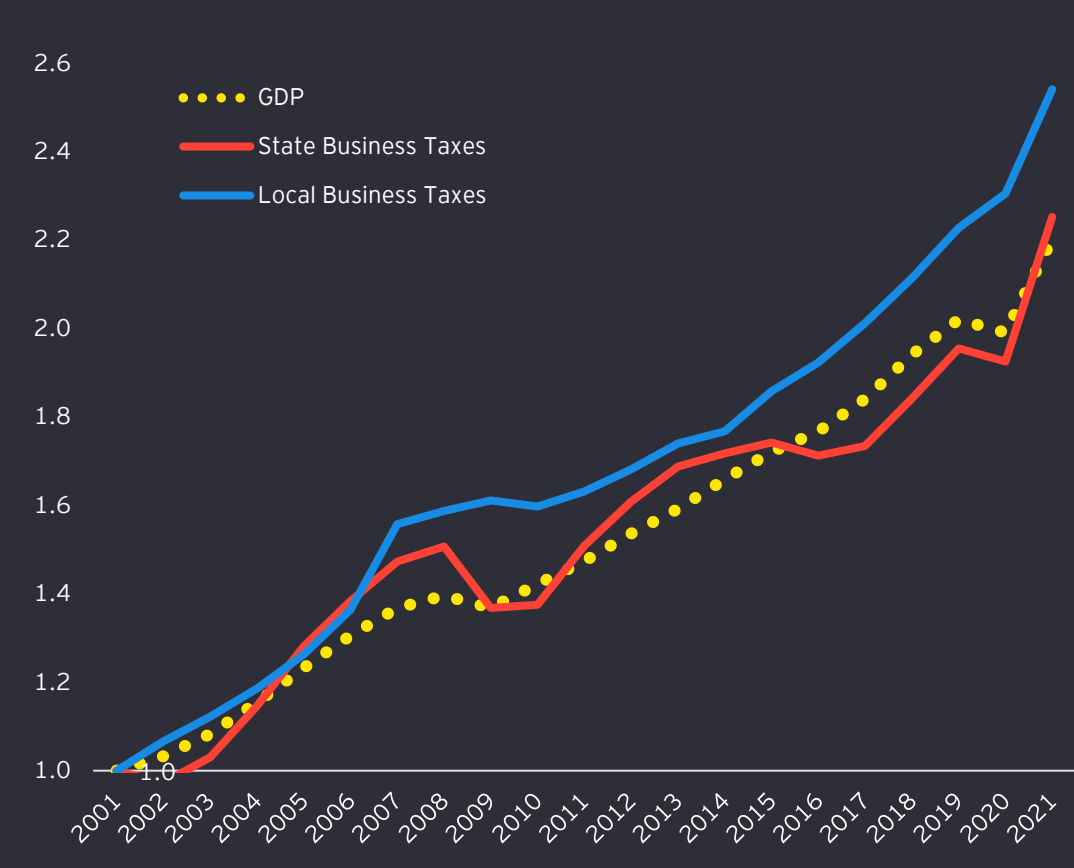
# Change in state and local business taxes by state, FY20-FY21

Percentage change in total state and local business taxes  
FY2020-FY2021

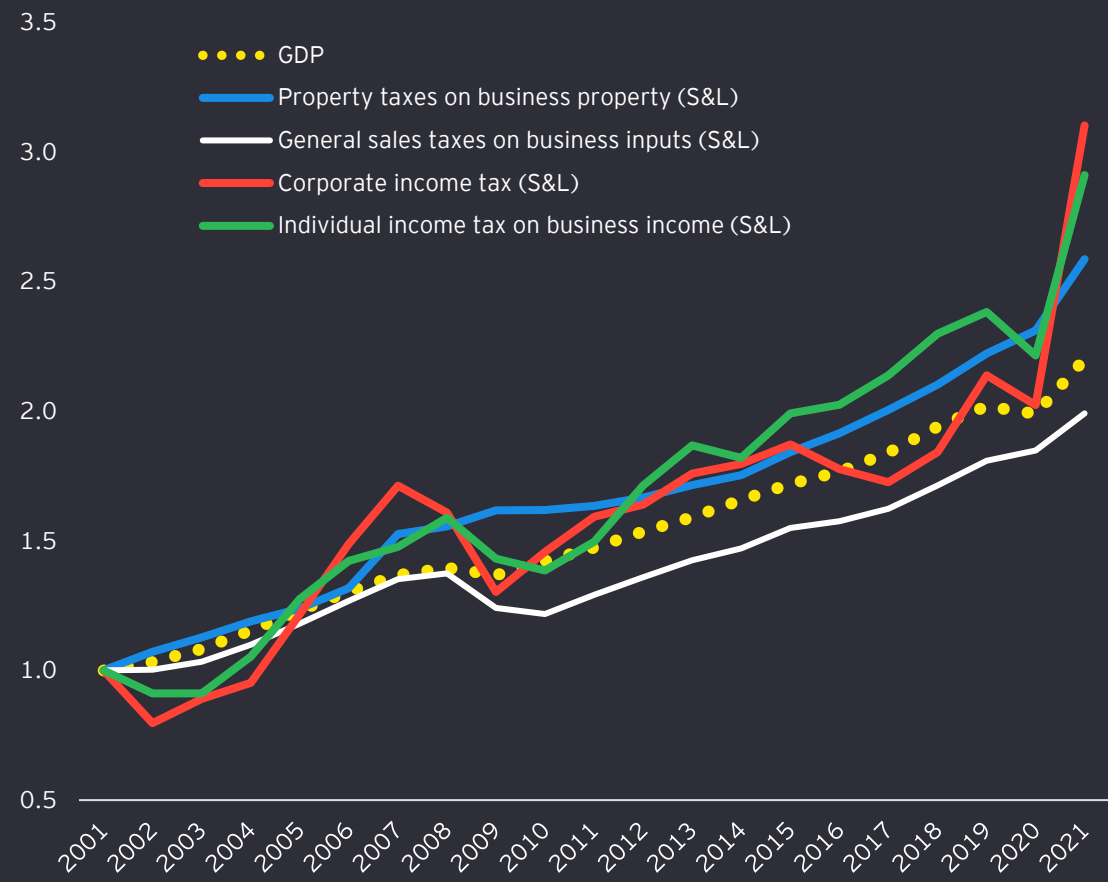


# Growth in state and local taxes, FY2001-FY2021

State, Local Business Taxes vs GDP, FY 2001-2021  
(Indexed to 2001)



Major Business Taxes vs GDP, FY 2001-2021  
(Indexed to 2001)



# Considerations on use of results and looking forward

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- ▶ Pass-through entity tax collections data
- ▶ Office real estate vacancies and valuations
- ▶ Pros and cons of an aggregate approach
- ▶ Business share/TEBTR vs METR
- ▶ The significance of severance taxes
- ▶ Restatements and time series