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Total State and Local Business Taxes Council on State Taxation FY 2015 Annual Study Summary

- Every year since 2003, COST has contracted with Ernst & Young to estimate all state and local taxes directly paid by business in each state.
- While comparing state and local business taxes can provide valuable insight about the tax systems of the states, it is important to recognize that an additional analytical step is necessary to estimate the ultimate incidence of taxes. This step involves modeling how each tax is distributed among consumers, workers, natural resource owners and capital owners.
- Property taxes make up 36.3% of business taxes, while sales taxes on business inputs comprise 21.3% and income taxes make up 9.5%. In the COST methodology, income taxes include taxes based on gross receipts and value added.
- For the U.S. as a whole, state and local business taxes make up 44% of total taxes. COST estimates that business taxes are 4.6% of private sector gross state product and \$5,800 per private sector employee on average across the states.
- Oregon state and local taxes paid directly by businesses are comparatively low. In Oregon, businesses pay 37.2% of state and local taxes, which works out to 3.6% of private sector gross state product and \$4,300 per private sector employee. Oregon's relatively low level of business taxes is primarily due to the absence of a sales tax on business inputs.
- The COST study also attempts to compare direct business taxes with the benefits received from state and local services by businesses. If education services (the largest component of state and local spending) are assumed to be exclusively a household benefit, businesses receive less in services than they pay in every state. If 50% of education spending is assumed to benefit business, then business benefits outweigh business taxes in 7 states, including Oregon.

LRO: 2-13-17