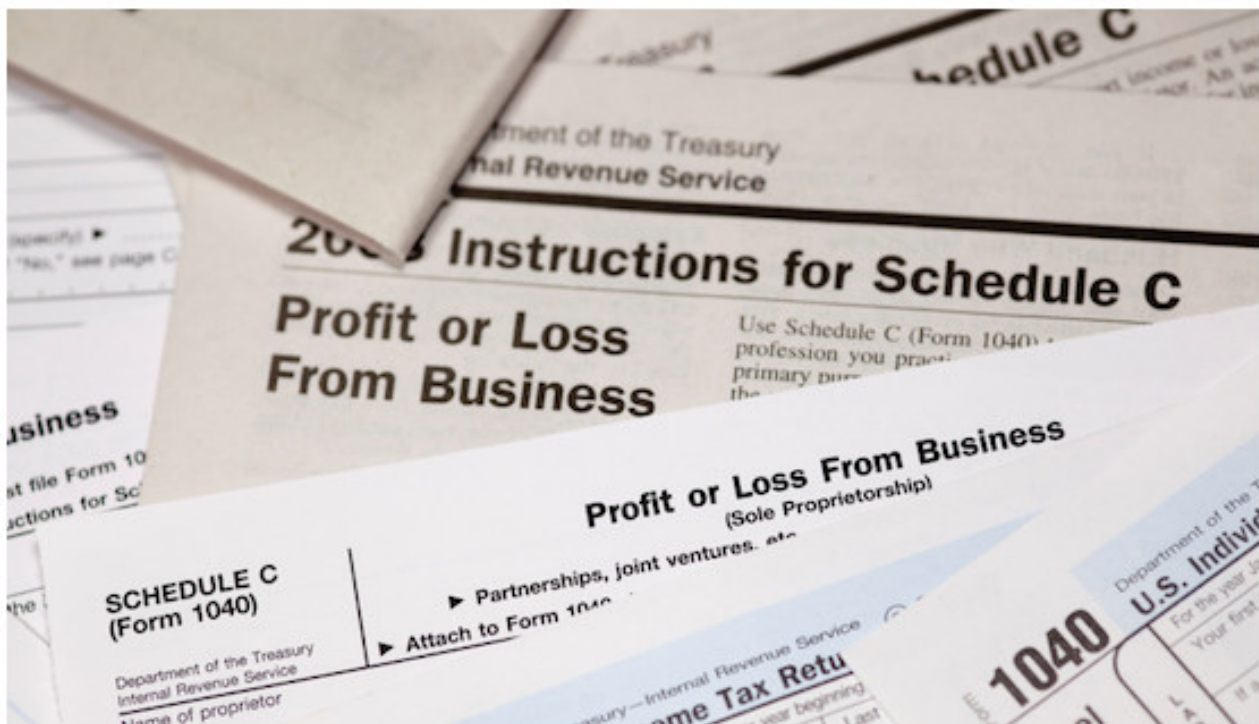


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overall tax burden and incentives offered.

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By *Dawn Moser*.

Are you an entrepreneur looking to establish a new business? One crucial factor to consider when selecting your business location is the tax environment. Business taxes can significantly impact your bottom line and overall profitability. Therefore, it's important to explore states with the lowest taxes for businesses in order to make an informed decision that aligns your total tax burden with your financial goals and objectives.

The importance of business taxes

As an entrepreneur, [you face countless decisions when starting a business](#). One of the

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When choosing where to build your business, include the following in your financial evaluation:

- [Factors to consider when assessing business taxes](#)
- [The benefits of choosing low-tax states](#)
- [5 states with the lowest total tax burden for businesses](#)
- [Tips for navigating business taxes](#)

Factors to consider when assessing business taxes

When determining the lowest tax states, assess not only the tax rates but also the overall tax burden and incentives offered. Some key factors to evaluate include:

Tax rates

Tax rates vary widely across states. Some states have higher corporate income tax rates, while others offer lower rates or no tax at all. Additionally, examine personal income tax rates and sales tax rates, as they can affect both your business revenue and personal finances — both of which can also impact your ability to attract and retain talent.

Tax incentives and credits

States often provide tax incentives and credits to attract certain businesses and trades. These incentives can include tax breaks for investments, job creation, research and development, and industry-specific benefits. Understanding the availability and accessibility of these incentives could influence your decision-making process.

Property and payroll taxes

In addition to business or personal income taxes and sales tax, property and payroll taxes are important considerations. Property tax rates can vary significantly,

impacting the cost of owning or leasing business space. Payroll taxes, such as

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By operating in states with the lowest business taxes, you could save serious amounts of money. When you reduce your overall tax burden, you have more resources to invest in business expansion, product and service development, and employee compensation. This can enhance your competitiveness in the market and facilitate long-term sustainability.

- **Business-friendly environment**

States with the lowest business taxes often cultivate a business-friendly environment. They often complement lower state income tax and property taxes by providing supportive infrastructure, streamlined regulations, and access to resources. This business-friendly ecosystem can help your company thrive and foster innovation and growth.

- **Attracting talent**

States with lower tax burdens can help attract skilled professionals seeking favorable local and state taxes. By establishing your business in such a state, you may have a better chance of attracting top talent, which can be a powerful advantage for your company's success.

- **Economic stability and growth**

States with lower business taxes often experience stronger economic growth and stability. The reduced overall tax burden put on businesses encourages investment and stimulates job creation. This economic prosperity can lead to increased market opportunities and a thriving business ecosystem.

- **Networking and collaboration**

Choosing a state known for its low state and local taxes can provide networking and collaboration opportunities. These states often attract other like-minded entrepreneurs and businesses, creating a supportive community that fosters collaboration, knowledge sharing, and potential partnerships.

5 states with the lowest total tax burden for

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offers tax incentives for job creation and research and development, making it an appealing choice for companies seeking to reduce their tax burden.

2. Montana: Paving the way for economic growth

Montana not only has competitive tax rates but also focuses on fostering economic growth. It provides tax credits for businesses engaged in specific industries, such as mining and manufacturing. Montana's commitment to supporting business expansion and innovation has made it a top destination for entrepreneurs.

3. Florida: Promoting entrepreneurship and innovation

Florida stands out for its business-friendly environment and innovative spirit. It offers a favorable tax structure, including a low corporate tax burden and no personal income tax. Florida also provides tax breaks and incentives for startups.

4. South Dakota: A business-friendly environment

South Dakota has gained recognition for its business-friendly policies and tax advantages. With no corporate or individual income taxes, it attracts entrepreneurs seeking to maximize their profits. South Dakota's commitment to creating a conducive business environment has contributed to its rapid economic growth.

5. Alaska: Fostering small business development

Alaska is known for its support of small businesses. The state of Alaska offers various tax incentives and credits specifically designed for startups and small enterprises. Additionally, Alaska has a simplified tax structure and no personal state income tax, which benefits businesses across industries.

Additional tax considerations:

States with the lowest property taxes

[Every state has a property tax](#). And, 31 states have property taxes that average less

than 1%. The eight states with the lowest property tax rates, on average, are Alabama,

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Sales tax takers and leavers

For consumers, it should also be remembered that Delaware, Montana, New Hampshire, and Oregon do not have state and local sales tax. In addition, Alaska does not have a state sales tax, though it does allow municipalities to apply a local tax on sales. In total, 39 states allow local governments to impose sales taxes, [some of which can be quite substantial](#). It's important to think about rate variations in sales taxes when determining the states with the highest overall tax burden.

Tips for navigating business taxes

While selecting a state with the lowest taxes can be advantageous, it's essential to navigate tax regulations effectively. Here are a few tips to help ensure compliance and maximize tax benefits:

- Always consult with a tax professional or accountant who specializes in business taxes to understand the specific tax requirements and benefits applicable to your business. You don't know what you don't know and an expert in this area can be invaluable.
- Keep detailed records of all business-related expenses, income, and investments to improve the accuracy of your tax filings. If you're ever audited, you'll need proof to justify your tax decisions and payments.
- [Stay informed about changes in tax laws](#) and regulations at the state and federal levels to adapt your tax strategy accordingly. These can and do change often for each jurisdiction across the United States.
- Take advantage of available resources such as state tax agencies and their online tools to simplify the tax filing process and stay compliant.
- Regularly review your tax strategy with your tax advisor to identify potential opportunities for tax savings or incentives.

Reduce your total tax burden

Though it shouldn't be your only consideration, establishing your business in a state

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Frequently asked questions:

How do business taxes affect my bottom line?

Business taxes can impact profitability and cash flow, reducing your overall earnings and limiting your ability to reinvest in your business.

Are low-tax states always the best choice for businesses?

While low-tax states offer advantages, other attributes such as market demand, talent pool, and industry-specific considerations should also be taken into account.

What types of tax incentives are commonly offered by states?

Tax incentives can include tax breaks for investments, job creation, research and development, and industry-specific benefits. Some states opt to reduce state and local taxes, lower property taxes, eliminate income taxes, or create cuts to other taxes.

How can I navigate complex tax regulations effectively?

Consulting with tax professionals, keeping detailed records, staying informed about tax laws, and utilizing available resources can help you navigate tax regulations.

What are the long-term benefits of choosing a low tax state for my business?

Choosing a low tax state can lead to cost savings, a business-friendly environment, attracting talent, economic stability and growth, and networking opportunities that can foster collaboration and partnerships.

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Dawn Moser is a writer at [Avalara](#).

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