A Benefits Principle Approach to State-Local Business Taxation: Policies for Midwestern Growth and Development

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Abstract

State-local tax policies to encourage growth and development–especially selective incentives and abatements–have been roundly criticized as misconceived and detrimental to social welfare. In response, recent proposals have included delimiting the ability of states and localities to fashion tax policies, along with tax penalties on firms who receive preferential treatment. Not only are such proposals unworkable, but they fail to harness the creative energy and ideas of development practitioners as they act competitively to foster growth and development. Accordingly, we propose a new set of principles on which to fashion state-local taxation of business, that is, the so-called benefits principle which aligns business taxes with costs of government services received by business entities. If followed, a benefits principle approach would continue to engage the best activities and energies of governments in economic development, while having built-in incentives to avoid the capricious and deleterious practices of selective abatements. In addition to setting forth these arguments, we show how far current practices deviate from the benefits principle, and contrast this with a hypothetical "benefits" principle scheme of taxing the value added of business entities in Midwest states in proportion to costs of public services received by business entities from state and local governments.

Discussion of the relation between regional growth and taxation has grown increasingly contentious over the past 30 to 40 years. The reasons for this are quite evident. First, the state-local government sector and business taxes have grown in importance.[1] More importantly, state-local tax policies and tax systems have come to be crafted with an eye toward regional growth and development. Specifically, states and localities have adopted and customized selective tax incentives as policy tools to attract the attention of would-be investors, even while states have increasingly sought to fine-tune their "tax climates" so as to be conducive to growth and investment. Most notably, as high-paying manufacturing jobs have dispersed across regions, especially from the Northeast and Midwest to the South and West, tax incentives and structural changes to the tax system have accompanied the shifts in investment geography.

The practice of fashioning tax policy toward the goals of growth and development has been roundly criticized by social scientists on grounds of being costly and inefficient. With regard to the location of industry itself, it is argued that tax-induced industrial location decisions tend to lower national welfare by moving business investments off of their otherwise-preferred locations. For example, tax competition distorts business decisions, resulting in fish processing plants far from waterways, and aircraft maintenance facilities far from locations that are most suited by climate. In addition, tax competition itself is characterized as a negative sum game with respect to financing public goods. That is, local governments and firms themselves cannot refrain from tax competition, yet, in doing so, revenues become insufficient to support intermediate goods (such as public education) that are crucial to productivity, welfare, and growth. And so, corrective policies have been proposed. At the most applied level, Burstein and Rolnick (1995) have suggested that the federal government should circumscribe and penalize those firms that receive selective tax and public service abatements.[2]

Yet, the arguments of policy analysts on this issue have been far from one-sided. Some analysts contend that sub-national tax policies may be quite helpful in "clearing" stubbornly underemployed local labor markets.[3] From a practical standpoint of legal administration, restrictions and penalties on state and local customization of tax liabilities have been dismissed as unworkable. That is because central government regulation of state-local tax practices for development may be very difficult to implement and enforce in our federal system. In particular, expenditure subsidies could serve the same purpose. Another concern is that what are *de facto* selective abatements can be easily written directly into general tax codes. For example, this may include a general code provision exempting a firm of a minimum size, in a specific industry, or in a specified location from tax liability, which is tantamount to a selective abatement. All of these regulatory impracticalities lead us to search for an organization of fiscal affairs in which economic development practitioners can follow their competitive instincts to more fruitful outcomes.

The benefits principle approach to general business taxation offers resolution of these contentious issues. Elsewhere, we have argued that the confusion and controversy surrounding the proper approach to state-local general business taxation arises from a failure to consider "first principles" of how business should be taxed.[4] First, on the

grounds of fairness to individuals with respect to their ability to pay, the current basis for business taxation as a way to "get at the rich" should be abandoned because the actual incidence of business taxes remains unknown, and is likely far less regressive than popularly imagined. Meanwhile, in considering neutrality and efficiency, a benefits principle approach to general business taxation is far superior. The benefits principle prescribes that services rendered by government to business entities should be financed by a proportionate tax system. This tax system mimics a "user charge" system of financing those services that the state-local sector provides to business. In doing so, business taxes becomes locationally neutral with respect to where businesses are most productive, rather than having location decisions whipsawed by capricious tax incentives. With regard to business services provided by government under a benefits approach, decisionmaking of the electorate will be improved. That is because households are likely to accede to government provision of business services insofar as business is recognized as paying its own way. This is no small matter insofar as public services to business are often found to significantly to growth and development.[5] Finally, if tax competition is ruinous or at least the folly of politically motivated elected officials under the current set of tax arrangements, competition becomes value-creating under the benefits principle. Operating under a benefits principle, regions and their development practioners can continue, but they should do so by providing the correct level and mix of public services to business at a fair and least-cost price. Indeed, recognition that the benefits principle is operable will encourage a better dialogue between the business community and its government over the level and mix of public services. Having an alternative way to compete for investment, elected officials who pursue growth and development may choose to curtail their use of selective abatements which are so objectionable to policy analysts.

It should also be noted that improved public decisionmaking is not confined to the services provided to the business sector. In making decisions about household public services, the voting population and their representatives are now less likely to misread the true costs of public services. Such is the case whereby voters misperceive that "business" is paying for household services such as parks, recreation, and to some degree, education, when, in fact, business taxation is a mere conduit for hidden tax shifting back onto households themselves. Owing to high mobility of business capital and the many markets to which sellers have access, the opportunities for tax exporting are generally much less than that which is touted by elected officials.

How Do We Now Measure Up to the Benefits Principle?

Existing studies of how closely governments approximate the benefits principle in practice are quite consistent in showing that business taxes exceed the costs of services by significant proportions. At the local government level, Kitchen's and Slack (1993) examination of municipalities in Ontario, Canada, shows that the nonresidential payments of taxes exceed the nonresidential share of expenditures by ratios of over two.[6] This result will not surprise those who are familiar with the literature concerning the

Table 1 Business Taxes and Business Expenditures, Fiscal Year 1995

	Business Taxes	Business Expenditures	Ratio of Taxes/Expenditures
	(- - - - - - - - - - $ millions - - - - - - - - - -)		
Illinois	13,012.8	5,504.6	2.36
Indiana	5,257.5	1,592.8	3.30
Iowa	2,906.4	1,272.4	2.28
Michigan	10,696.7	3,916.4	2.73
Minnesota	5,211.1	2,272.0	2.29
Ohio	9,869.7	4,208.1	2.35
Wisconsin	5,041.5	2,671.6	1.89
Midwest	51,995.6	21,516.0	2.42

fiscal impacts of business property on local communities in the U.S., where a general result is that property and other local taxes paid by businesses exceed business services rendered by an average ratio of three.[7] Such findings are echoed at the state government level in the U.S.; William Oakland's 1988 study of Louisiana state government general fund spending for fiscal year 1986 finds that business revenues exceeded the costs of services received by 29 percent.[8]

Our approach to measuring this ratio of business taxes paid to costs of services provided is to combine state with local government finances in each of seven Midwest states–Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin. For interstate comparisons, such a combining of state and local government is the only valid approach because service delivery responsibilities between the two differ from state to state, as do tax sources and intergovernmental grant flows. Combining state and local yields a combined system of accounts. The methodology for estimating business taxes and business expenditures of state and local governments follows that of Oakland and Testa (1996), which produced estimates for the states of the Seventh Federal Reserve District for fiscal year 1992.[9] Estimation of the costs of business services is more uncertain than estimation of business tax revenues. (The Appendix displays the estimated results and assumptions behind "business expenditure costs" for the Midwest region.)

We can view our estimates of business taxes and business service costs in terms of how existing state tax structures relate and compare to each other and to conceptual benchmarks–specifically to the benefits principle. One way to measure the deviation of each state's fiscal system from the benefits principle of taxation is to examine the ratio of business taxes to the tax-financed costs of services rendered to the business community (Table 1). For fiscal year 1995, a ratio of 2.42 of taxes to cost of benefits can be seen for the Midwest region, defined here as Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin. The range among these states is striking, with a ratio of 3.30 in Indiana to a low of 1.89 for Wisconsin.

Caution should be exercised in interpreting these ratios as indicators of the net costs (benefits) to business arising from a state's fiscal system. First, our procedures for assigning government services to the business sector is imprecise. Moreover, there is no assurance that such services are equally effective in all states. Second, the ratios are averages for the business community as a whole; the situation for individual business firms could vary widely. For these reasons, the ratios shown in the table should more properly be viewed as measures of the relative fiscal climate confronting the representative firm among the midwestern states. Given the uncertainty about the effectiveness and measurement of government services to business, even this interpretation is subject to error. Therefore it may be inappropriate to place significance on modest differences in ratios.

What Would a Single Business Tax Look Like in the Midwest?

What would a general business tax system look like in contrast to the hodge-podge that currently exists? Again, "business activity" generally defined is proposed as the tax base of choice for a general business tax; it is business activity that gives rise to government services. Among the alternative candidates for an indicator of business activity; value added and not gross receipts is more indicative of business activity as it avoids cascading or double counting of activity. More specifically, value added should be computed on an origin basis because, almost universally, it is business activity within a state rather than outside that consumes state and local government services.[10] To its further credit, this tax base is neutral with respect to a firm's choice of input proportions, i.e., its use of capital versus labor or land in production. In contrast, most existing business taxes fall disproportionately on capital intensive firms, e.g. corporate net income taxes, sales taxes as applied to business machinery and equipment and local property taxes.

In table 2, business tax collections in each state are expressed as a share of gross state product, the latter being closely akin if not identical to value added.[11] Here we see that, if we treat all business tax sources combined as a hypothetical single business tax, the rate of such a tax would average 4.5 percent in the Midwest. These are the estimates at current levels of business taxation–that is, combining into one revenue source the numerous individual taxes levied against business property, purchases, assets, and right to do business, and assuming that the state-local government sector collects revenue from a single business tax equal to actual collections from all business taxes during fiscal year 1995.

In comparison to existing general business taxes, such a hypothetical single business tax on value added would be very broad based, much like Michigan's "single business tax" which is imposed by state government there.[12] The broad basis of such a tax would also have the salutary effect of extending to the growing service sector of the economy. In contrast, the basis of taxation for the most prominent state level business tax, the state corporate income tax, is narrow and it has been narrowing further. Business income taxes usually apply only to those firms organized under the corporate legal structure and, in addition, are often skewed in tax liability toward very large corporations.[13] Increasingly, the corporate income tax base coverage is being further confined toward those corporations that sell into the state from outside as states increasingly revise their apportionment formula of the taxable incomes of multi-state firms toward the so-called "single factor on sales." This formula defines the taxable base of any multi-state

Table 2 Hypothetical Tax Rates for a Single Business Tax Levied on the Basis of Value Added by Origin, Fiscal Year 1995

	Tax Rate Assuming Current Collections	Tax Rate Assuming Collections Equal to Current Service Costs	Difference
	(- - - - - - - - - - - - - - - - - - percent - - - - - - - - - - - - - - - - - -)		
Illinois	4.4	1.9	2.5
Indiana	4.3	1.3	3.0
Iowa	4.9	2.2	2.8
Michigan	5.2	1.9	3.3
Minnesota	4.9	2.1	2.8
Ohio	4.1	1.8	2.4
Wisconsin	4.6	2.4	2.2
Midwest	4.5	1.9	2.7

firm on the basis of the firm's sales within the geographic boundaries of a state. It therefore tends to exempt firms that produce in the state yet sell outside its boundaries. In the Midwest, both Iowa and now Illinois have adopted the single factor apportionment; Michigan is moving closer to almost total weighting on sales, while the remainder of states weight sales more heavily than the other two apportionment factors, payroll and property.

While a hypothetical single business tax on value added by origin has the desirable characteristics of being broad based and at a low rate, the rates would be lower still if revenue collections were lowered to levels consistent with costs of business services currently received. As measured against a hypothetical nongovernmental GSP tax base, the rates of taxation under this scenario fall to an average of 1.9 percent for fiscal year 1995 (Table 2), ranging from 1.3 in Indiana to 2.4 in Wisconsin.

Again, a perspective is needed to properly interpret these hypothetical differences. Differing rates may reflect differing preferences by business entities for public services, and therefore need not reflect any tax climate advantage or disadvantage. So too, over time, business service levels and tax rates would presumably change as a benefits-based scheme was enacted. Businesses could be expected to respond to a changing tax system by changing its requests for public services.

One final measure of deviation from the benefits principle can be considered in the interstate competitive context. The final column of table 2 reflects the difference in hypothetical tax rates between a single business tax raising revenues at current levels, and the tax rate which would apply under a benefits principle. Across states, the distribution and interstate differences change as compared to the measure of overall tax rates expressed in column 1. A single state's business tax rate may be somewhat high, such as Wisconsin's. Yet, under a benefits consideration, services provided in a given state may compensate for revenues collected.

Conclusions

All too often, tax structures emerge without much thoughtful planning and design. No doubt, this occurs over many decades under the pressures of the immediate needs of revenue urgency, administrative feasibility, and political expediency. In the case of state-local business taxation, such evolution has given rise to much confusion with regard to optimal tax policy. For example, current debates over the efficacy of selective tax abatements to lure new investment appear to be nowhere near consensus, and long standing business taxes such as state corporate net income taxes continue to be revised and amended without a clear underpinning of how business entities ought to be taxed. In both these instances, the overarching goal as publicly stated appears to be the promotion of regional growth and development. Yet, in thinking over the strongest foundation on which to construct a system of business taxation, it is clear that the benefits principle would be a substantial improvement over the current array of state-local business taxes. The benefits principle prescribes that general business taxes should be fashioned to align with the costs of services provided by the state-local government sector to business entities. This allows a healthy competition among regions to provide the correct level of services to business at maximum cost efficiency. It also allows state and local governments, with the blessing of the local electorate, to reach out of state businesses and to charge them for services rendered. At the same time, it does not distort the "prices" that the local household sector should view and use in evaluating and articulating their own preferences for services from state and local government. If followed, such as system of business taxation can only promote growth and welfare.

In practical application, insofar as the government sector provides services to a very wide array of business, business taxes themselves should be broad-based and closely correlated with the extent of each business' activity. We have suggested that the basis of such taxation should be something closely akin to the value added activity of each business within a state's boundaries. Such a system implies that all general costs of services to business entities in Midwest states might be financed by a tax rate varying from 2 to 3 percent annually of business activity.

Footnotes

[1] State-local direct expenditures as a fraction of U.S. gross domestic product (GDP) have grown from 8.8 percent in 1952 to 16.7 percent in 1995. State-local taxes have also grown rapidly, although much of the state-local expansion has been financed by the growth of sales and personal income taxes rather than by business-related tax sources. Oakland and Testa (1996) estimate that business taxes as a share of state-local tax collections have declined to 29 percent in 1992 from an estimate of 42 percent in 1957. See William H. Oakland and William A. Testa, "State-local Taxation and the Benefits Principle," *Economic Perspectives*, Federal Reserve Bank of Chicago, January/February 1996, pp. 2-19.

[2] For this view and for a range of views see "The Economic War Among the States," *The Region*, Federal Reserve Bank of Minneapolis, June 1996.

[3] For example, see Tim Bartik, *Who Benefits from State and Local Economic Development Policies?*, Kalamazoo, MI: The Upjohn Institute for Employment Research, 1991; and Edward M. Gramlich, "Subnational Fiscal Policy," 1997, *Perspectives on Local Public Finance and Fiscal Policy*, John M. Quigley (ed.) J.A.I Press, Vol. 3, pp. 3-27.

[4] Oakland and Testa, op. cit, p. 6.

[5] The inclusion of services produced by state and local government for business is said to be crucial in fashioning statistical appraisals of the impacts of fiscal affairs on growth and development. For a comprehensive review and appraisal of the relevant empirical work, see Ronald C. Fisher, "The Effects of State and Local Services on Economic Development," *New England Economic Review*, March/April 1997, pp. 53-66

[6] See Harry M. Kitchen and Enid Slack, "Business Property Taxation," *Discussion Paper Series 93-24*, Queen's University, Government and Competitiveness School of Public Policy, 1993.

[7] See Robert W. Burchell and David Listokin, *The Development Impact Assessment Handbook and Model*, Cambridge, MA: Urban Land Institute, 1993.

[8] See William H. Oakland, "Business Taxation in Louisiana: An Appraisal," in J. Richardson ed., *Louisiana's Fiscal Alternatives*, Louisiana State University Press, New Orleans, 1988, pp. 159-187.

[9] Results for fiscal year 1992 are also reported in "Designing State-Local Fiscal Policy for Growth and Development," *Assessing the Midwest Economy*, Conference Proceedings No. 5, held on July 17, 1995, Federal Reserve Bank of Chicago, 1996.

[10] Some analysts argue that by providing the foundations for a market, the government provides a valuable benefit to firms who choose to sell in their jurisdiction, including those firms who produce outside its boundaries but sell within them. While there is some validity to this argument, the costs of government services to business arise much more from production activities than from selling activities. Moreover, to the extent that selling activities give rise to value-added, foreign based firms will become subject to the origin based value added tax in appropriate measure.

Such value added can be measured as the difference between a firm's sales and its purchase of materials and capital inputs (i.e., the subtraction method), or it can be measured by adding payments to inputs—wages, profits, rents, and interest (i.e., adding up method). Because multi-state and multi-national firms could manipulate intra-firm sales prices to reduce tax liability (transfer pricing), the "adding up" approach may be the more practical. To avoid the problems of transfer pricing, this means that capital earnings (interest and profits) of multi-jurisdictional firms will have to be apportioned just as it is under the present state corporate income taxes; however, the present practice of assigning disproportionate weight to the sales factor is inconsistent with the origin approach as discussed below.

[11] The source of the data is the Bureau of Economic Analysis, U.S. Dept. of Commerce. Since fiscal data runs 1994-95, the average of GSP for 1994 and 1995 is taken as the tax base. Government sector GSP is netted out.

[12] For a description and discussion, see Robin Barlow and Jack S. Connor Jr., "The Single Business Tax," in Harvey E. Brazer, ed., *Michigan's Fiscal and Economic Structure*, The University of Michigan Press, Ann Arbor, MI: 1982, and Advisory Commission on Intergovernmental Relations, *The Michigan Single Business Tax*, Washington DC, 1978.

[13] Stemming from legal proceedings, the narrow base of New Hampshire's Business profits tax was an impetus behind that state's adoption of a modest value-added tax. See Daphne A. Kenyon, "A New State VAT? Lessons from New Hampshire," *National Tax Journal*, Vol 49, No. 3 , pp. 381-399.

Appendix Methodology for Business Taxes and Expenditures

Expenditures:

(See Appendix Table A)

Expenditures by function are reported annually by the Governments Division of the U.S. Department of Commerce, Bureau of the Census. Total direct expenditures by function include all payments to employees, suppliers, contractors, beneficiaries, and all other final recipients of government payments. Intergovernmental expenditures–payments and grants to other governments between state and local government–are excluded. Such expenditures become expenditures of those governments where the funds come to rest. Since we are interested only in those expenditures made by state-local government, federal grant monies by function are netted out of these same functional expenditures. Similarly, revenues derived from user charges and fees (such as college tuition and roadway tolls) are netted out of appropriate expenditures made by state-local government. The remainder represents those direct expenditures by function that are funded by state-local own-source tax revenues. When a negative remainder of the direct expenditures exists, it means that federal intergovernmental grants and/or user charges are greater than the total direct expenditures.

Two categories of expenditures must be allocated. "Shared" expenditures are those for which little information on benefits to business vs. households are available, for example, police, fire, transit, sewerage, sanitation, and parking. For these, a liberal 50 percent is allocated to the business sector.

Those expenditures representing general government overhead, such as all financial administration services, all general public buildings, all other miscellaneous government, interest on general debt, all legislative, and other-unallocable, are assigned to the business sector on a prorated basis. The proration reflects the share of business expenditures, plus shared business expenditures to total direct expenditures (net of prorated expenditures).

Other categories of spending are allocated directly to business or to the household sector.

Taxes:

(See Appendix Table B)

Unemployment insurance taxes are imposed by both the federal and state governments on the basis of payroll of those workers covered by unemployment insurance. We report state collections only, as reported by the U.S. Department of Commerce, Bureau of the Census, Governments Division.

General sales taxes collected from businesses–The hybrid nature of the sales tax as consumer-business tax presents formidable obstacles in distinguishing the business sector's share of revenues from that of consumers. State revenue departments typically report data by type of store or vendor from which the sale take place, with no information about the buyer. The existence and variety of exemptions and partial exemptions for business purchases further complicates the matter, as does the varying exemption and coverage of certain consumer items, such as food, clothing, and prescription drugs. Raymond J. Ring has developed a methodology to estimate the business and consumer shares, see "Raymond J. Ring, "The Proportion of Consumers' and Producers' Goods in the General Sales Tax," *National Tax Journal*, 42, No. 2 (June): pps. 167-79. Generally, he applies sales tax rates to government--reported data of consumer expenditures; the residual represents an estimate of business payments of the sales tax.

He has shared unpublished estimates of these shares using 1993 tax structures. We have applied these shares to general sales tax collections to arrive at our estimates of the general sales tax paid by business.

Corporate income tax–These collection figures are reported by the Census Bureau for fiscal year 1994-1995 and, within the Midwest states, all collections derive from state taxes.

Property tax–Beginning with a 1963 study, the U.S. Advisory Commission on Intergovernmental Relations began estimating property taxes paid by commercial, industrial, and agricultural enterprises. These estimates are based on tables of assessment and collections valued reported at five-year intervals by the Census of Governments. We depart from that practice and instead use property tax collections by type of property as reported by individual state fiscal agencies for business classes of property in the Midwest states.

Taxes on broad-based inputs to production–We exclude selective taxes such as those levied on tobacco, alcohol, and amusement. Presumably, these are intended to be shifted forward to consumers.

Likewise, taxes on specific industries, such as motel/hotel or severance taxes, are not broad-based business taxes, but are intended to discourage or compensate for damages imposed on the state or local community. In contrast, we do include the following selective sales taxation of items which are broadly purchased as intermediate inputs by the business community:

Insurance–Most states tax the premiums on insurance sold in the state. Since businesses broadly purchase insurance, we estimate the business sector's share of such purchases in allocating total insurance premium tax collections. The sector's share is calculated for reported premiums sold by in-state companies to other businesses in each of the respective states. Using *The Fact Book: 1996 Property/Casualty Insurance Facts* (published by Insurance Information Institute), we are able to parse taxes on insurance sold to the business sector.

Motor fuels tax–Following the methodology of Larry DeBoer, "Shares of major Indiana taxes paid by businesses and individuals, 1991," Report prepared for the Commission on State Tax and Financing Policy, (1992), we estimate motor fuel purchases by the business sector as opposed to households in allocating revenues collected. These collections data are collected and grouped by the Governments Division of the Bureau of the Census.

Public utility gross receipts tax–The business portion of revenues is allocated using data on investor-owned public utilities. The *Statistical Yearbook of the Electric Utility Industry* reports gross receipts derived by sector, household vs. commercial and industrial sectors. These data are grouped and collected by the Governments Division of the Bureau of the Census. Business licenses and fees (on both utilities and all businesses) are included in Appendix Table B in the same column along with public utility revenues.

Appendix Table A **State-Local Tax Financed Expenditures for Households and Businesses, Midwest States, FY 1995**
($ millions)

Spending Category	Households	Prorated Households	Shared Households	Business	Prorated Business	Shared Business	Total
Higher Education	8,030.6						8,030.6
Elem./Sec. Education	49,079.5						49,079.5
Libraries	1,236.8						1,236.8
Welfare	15,866.8						15,866.8
Health & Hospital	8,276.4						8,276.4
Veterans Affairs	25.1						25.1
Fish & Forestry	334.1						334.1
Parks & Recreation	2,942.5						2,942.5
Hous./Comm. Devel.	194.4						194.4
Unemploy. Insurance	8,163.0						8,163.0
Water Transport/Terminals				-39.1			-39.1
Natural Resources–Agriculture				517.7			517.7
Natural Resources–N.E.C.				897.1			897.1
Air Transportation			-77.8			-77.8	-155.6
Transportation Subsidies			877.9			877.9	1,755.8
Highways			5,563.7			5,563.7	11,127.5
Parking			-2.9			-2.9	-5.7
Fire Protection			1,478.6			1,478.6	2,957.2
Police Protection			3,718.5			3,718.5	7,437.0
Corrections			2,796.9			2,796.9	5,593.7
Judicial			1,644.2			1,644.2	3,288.4
Protective Inspection & Regulation			495.7			495.7	991.4
Sewerage			595.5			595.5	1,191.0
Solid Waste			602.4			602.4	1,204.8
Legislative		255.2			45.0		300.2
Financial Administration		3,389.4			598.1		3,987.5
General Public Buildings		1,306.8			230.6		1,537.4
General Interest on Debt		7,954.4			1,403.7		9,358.1
All Other and Unallocable		963.6			170.1		1,133.7
Total	**94,149.2**	**13,869.4**	**17,692.7**	**1,375.8**	**2,447.5**	**17,692.7**	**147,227.3**

Note: N.E.C. indicates not elsewhere classified.
Source: U.S. Dept. of Commerce, Bureau of the Census, Governments Division.

Appendix Table B

Business Taxes: Fiscal Year 1995

($ millions)

	Total	Property	Corporate Sales	Income	Insurance	Utility & Business Licenses	Unemployment Insurance	Motor Fuel
Illinois	13,012.8	5,782.7	1,511.6	1,630.1	60.3	705.0	2,227.3	1,095.9
Indiana	5,257.5	2,331.7	1,083.9	918.9	54.3	2.6	485.0	381.1
Iowa	2,906.4	1,394.8	518.2	312.9	48.0	12.9	298.7	321.0
Michigan	10,696.7	3,540.1	1,994.4	2,265.9	76.9	48.9	2,047.4	723.1
Minnesota	5,211.1	2,042.0	1,047.7	827.1	61.3	26.0	701.9	505.1
Ohio	9,869.7	3,937.3	1,401.6	1,455.1	100.7	434.9	1,601.5	938.6
Wisconsin	5,041.5	1,902.0	868.6	807.6	50.8	162.8	801.2	448.5
Midwest	51,995.6	20,930.6	8,426.0	8,217.5	452.3	1,393.0	8,163.0	4,413.2

Source: Staff calculations based on data from the U.S. Department of Commerce, Bureau of the Census, Governments Division, and from state revenue departments.