

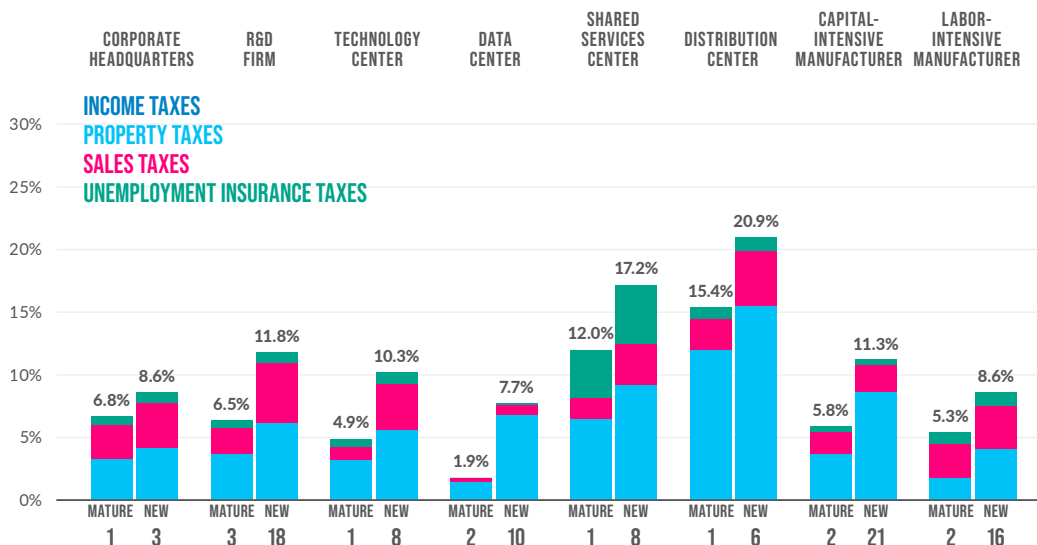


EVALUATING WYOMING'S BUSINESS TAX COMPETITIVENESS

Wyoming's in-state tax burdens are low, its tax collections average, and its reliance on business taxation anomalously high. Most businesses in Wyoming face highly competitive effective tax rates, but the state's heavy reliance on business taxes contributes to revenue volatility and has implications for future revenue deliberations. Those are the takeaways from *Location Matters*, a study jointly conducted by the Tax Foundation and KPMG which compares corporate tax costs in all 50 states across eight model firms.

- Tax burdens are low, but collections are average.** Wyoming boasts the nation's second-lowest overall tax burdens on residents and highly competitive taxes for many businesses. The tax burden on extractive industries is exported to investors and consumers across the country, leaving Wyoming with middle-of-the-pack per capita tax collections (98 percent of the national average) despite some of the lowest burdens for in-state taxpayers (68 percent of the average).
- The state's existing taxes fall overwhelmingly on businesses.** Nearly 70 percent of Wyoming tax collections come from businesses, compared to 44 percent nationwide. Only North Dakota has a higher share. If tax bases grow in the future, there are constraints on further expansion to business taxpayers, especially given the low margins of many firms operating in a low-density state.
- Most of the sales tax falls on businesses.** Sales taxes are intended to tax final consumption; they are borne by consumers even if remitted by businesses. No state achieves this ideal perfectly, but in Wyoming, over 58 percent of the sales tax falls on business-to-business transactions, creating tax pyramiding. Business input taxation is equal to \$967 per Wyomingite and is more than 28 states generate in corporate income taxes.
- Wyoming's tax code is most attractive for mature firms.** Wyoming has the lowest average effective rates in the country for mature firms and the seventh-lowest effective rates for new firms, indicative of a low-tax environment with relatively few incentives (generally available to new or expanding operations) and reflects a tax code favorable to long-term investment.

Changes in the energy sector are a source of concern, but if lawmakers can maintain a competitive business tax environment as they make revenue and spending decisions ahead, the state's future will be bright.



For a broader treatment of these issues, with data and sources, see the Tax Foundation's longer publication, "Evaluating Wyoming's Business Tax Competitiveness" <https://taxfoundation.org/wyoming-business-tax-competitiveness>.