New Index Ranks States by Business Tax Climate.

Similar rankings have attracted scrutiny in the past.

Wyoming, Alaska and South Dakota received the best marks in a 50-state index of business-related tax policies that the conservative Tax Foundation released on Wednesday.

The absence of certain types of taxes, such as corporate or individual income tax, or sales tax, is a common trait among the 10 states at the top of the ranking. But the group says some states, such as Indiana and Utah, made it into the top 10 even though they levy those taxes.

New Jersey is the state that ranked worst on the index, just above it are California, New York and Connecticut. The Tax Foundation says the 10 states lowest on the list also tend to share characteristics, such as complicated, "nonneutral" tax systems, and relatively high tax rates.

The index, according to the group, is designed to show how well states structure their tax systems and "provides a roadmap for improvement." This year's findings look at tax conditions as of July 1.

"Tax competition is an unpleasant reality for state revenue and budget officials, but it is an effective restraint on state and local taxes," the report says.

Business climate rankings, including those from the Tax Foundation, have attracted criticism previously. The group Good Jobs First issued a 2013 report that derided the rankings as "corporate-sponsored, pseudo-social science" that have distorted policy debates.

The report points to a corporate tax burden ranking by the Council on State Taxation that in past years had drastically different findings than Tax Foundation business climate assessments—at one point ranking Wyoming 45th, while the Tax Foundation ranked the state No. 1.

In its latest release, The Tax Foundation addresses some of these criticisms and says that its "index does not purport to measure economic opportunity or freedom, or even the broad business climate, but rather the narrower business tax climate."

The latest Tax Foundation report also warn states against using special tax incentives and subsidies as tools to attract businesses, instead encouraging broad-based tax policy changes to do so.

The authors point to a situation where North Carolina agreed to provide the computer company Dell $240 million of incentives to bring a facility to the state. But the company announced it would close the plant closed after just four years of operations.

Route Fifty

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