# Commercial Activity Taxes

| GOOD | | BAD | |
|---|---|---|---|
| <br>Washington | Enacted in 1935, this activity tax has provided stable funding for over 80 years.<br>1. Taxes a broad base (every entity with sales in WA) at a **low-rate** (averaging .48%) with differential rates for low-margin businesses;<br>2. Allows for **no corporate income tax**; and<br>3. Generates nearly 18% of the state's revenue. | <br>Kentucky | Enacted in 2005, this activity tax was repealed in 2006.<br>1. Imposed a **complex** structure on taxpayers who first had to calculate their tax liability paying the lessor of either 9.5 cents per $100 of gross receipts or 75 cents per $100 of gross profits.<br>2. Taxpayers were then required to pay the greater of the state corporate income tax, the activity tax, or $175.<br>3. The **complexity** forced Kentucky to repeal the tax during a special session. |
| <br>Nevada | Enacted in 2015, this activity tax quickly stabilized revenue.<br>1. Taxes a broad base (every entity with sales over $4 million) at **low-rates** (ranging from .051 to .338%) to promote fairness among different industries; and<br>2. Allows for **no corporate income tax**. | <br>Indiana | Enacted in 1933, this activity tax was repealed in 1963.<br>1. Taxed most businesses at a **high rate of 1.0% rate**;<br>2. Required **complex** deductions to offset its 1.0% rate; and<br>3. Generated insufficient revenue while holding back the state's economy forcing its repeal. |
| <br>Ohio | Enacted in 2005, this activity tax has remained popular with business and policymakers.<br>1. Taxes a broad base (every entity with sales over $1 million in OH) at a single **low-rate** (.26%) while exempting certain sales to help low-margin businesses; and<br>2. **Replaced the corporate income tax** and **lowered personal income tax rates**. | <br>New Jersey | Enacted in 2002, this activity tax was repealed in 2006.<br>1. Taxed a **narrow base** by exempting S corps., investment companies, professional organizations, and cooperatives; and<br>2. Imposed administrative **complexity** by forcing corporations to determine tax liability under either the gross receipts calculation or the gross profits calculation.<br>3. The structure created gross unfairness forcing its repeal. |