

Comparison of Business Tax Base Options

Tax Base	Strengths	Weaknesses
Corporate Income Tax	<ul style="list-style-type: none"> • Companion to personal income tax • Greater prospects of exporting out of state • Destination based apportionment 	<ul style="list-style-type: none"> • Complex/Hard to administer • Volatile • Narrow Base • Slow growth over time • Linked to Federal tax base policy • Subject to Fed corporate nexus standards
Value Added Tax	<ul style="list-style-type: none"> • Matches benefit equity standards • Broad base • No pyramiding • Not subject to Federal PL 86-272 nexus standards 	<ul style="list-style-type: none"> • Origin base at state level puts exporting companies at competitive risk • Only one currently operational example at state level • Partial shifting to consumer
Gross Receipts Tax	<ul style="list-style-type: none"> • Broadest base • Destination based • Not subject to Federal PL 86-272 nexus standards • Some recent examples of states moving toward this base 	<ul style="list-style-type: none"> • Multiple intermediate transactions creates pyramiding • Partial shifting to consumer