SUMMARY OF

The "Single Sales Factor" Formula for State Corporate Taxes
A Boon to Economic Development or a Costly Giveaway?
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Study --

Studied United States manufacturing employment between 1995 and 2004 and between 2001 and 2004. Mr. Mazerov concluded that:

- Virtually every state except North Dakota suffered a loss in manufacturing jobs.

- During the 2001 - 2004 period, five of the eight single sales factor states had manufacturing job losses worse than the median average loss (-8.2%) and three single sales factor states had job losses better than the median.

  Worse than the median: [(Connecticut (-9.6%); Texas (-9.8%); Illinois (-10.2%); Maryland (-13.3%); Massachusetts (-14.8%)]

  Better than the median: [(Iowa (-3.0%); Missouri (-5.3%); Nebraska (-7.0%)]

- During the 1995 - 2004 period, the top three states better than the median (North Dakota, Kansas, and Utah) and seven of the top 15 used equally weighted payroll, property, and sales factors.

- According to *Site Selection Magazine*, 71 facility or plant investments of at least $700 million were made between 1995 and 2004. Seven out of the ten single sales factor states did not land any of these investments.

General Conclusions of the Study --

- Empirical evidence does not support the single sales factor as an effective incentive for job creation or job retention.

- Using a single sales factor will increase corporate income taxes for some corporations and act as a disincentive to invest. (This occurs if a mandatory single sales factor is adopted.)

- The labor pool, transportation infrastructure, quality of education, and public safety in a state have a greater impact than tax policy in attracting business investment. Reducing corporate income tax revenues could mean that less is spent on these items.

- Assuming arguendo that a single sales factor will attract business investment, its cost-effectiveness is likely to be low. Reductions in corporate income taxes are not tied to job creation or capital investment.

- Small, intrastate corporations may not see any reduction in corporate income taxes as they may not apportion taxes to different states.