

Inside Tucson Business report

Aug. 24, 2005

Hawaii, New York and Massachusetts are the most expensive states in the nation in which to do business, according to the 2005 Milken Institute Cost-of-Doing-Business Index.

Hawaii, which was also number one on last year's index, has business costs that are 43 percent higher than the national average. Second-place New York's costs are 30 percent higher, and third-place Massachusetts has costs that are 25 percent greater than the U.S. overall. California is fourth and Connecticut is fifth, with costs that are 24 percent and 22 percent higher, respectively.

The states with the lowest costs of doing business are South Dakota, 50th, with costs 28 percent below the national average; North Dakota, 49th (23 percent lower); Iowa, 48th (19 percent); Montana, 47th (19 percent); and Idaho, 46th (16 percent).

The Cost-of-Doing-Business Index, released annually by the Milken Institute, indicates each state's comparative advantages or disadvantages in attracting and retaining businesses. The Index measures wage costs, taxes, electricity costs and real estate costs for industrial and office space. Each state is measured on the five individual categories, and those weighted scores are compiled to make the overall index.

Arizona's costs of doing business were six percent below the overall national average. In individual cost categories, Arizona was seven percent below average for the wage cost index; four percent below the average tax burden index; five percent below the average electricity cost; 15 percent below the average industrial rent cost; and almost six percent above the average office rent cost.

The states that moved up most in this year's ranking (meaning they became more expensive) include Wyoming, which moved up eight points (31st to 23rd), and Louisiana, which jumped from 38th to 32nd. Those moving down the most were West Virginia, which dropped four positions (37th to 41st), followed by three states that dropped three points: Maine (16th to 19th), Virginia (21st to 24th), Arizona (22nd to 25th) and North Carolina (27th to 30th).

The states with the highest and lowest costs by category are:

Comments regarding this article can be e-mailed to editor@azbiz.com or call (520) 294-1200.