



M = Rank for mature firms
N = Rank for new firms

California ranks 34th overall for mature operations and 45th overall for newly established operations. Specifically:

- The operation for which California has the lowest tax burden is the mature R&D center (ranking 11th). This operation has a total effective tax rate (TETR) of 9.5 percent, roughly 26 percent below the national average. Comparatively, this firm benefits from low property taxes (fifth-lowest nationally) and low income taxes because of the state's R&D tax credit. The state also ranks well (15th) for the mature distribution center. Low property taxes are the primary driver of this result.
- The state's highest tax cost for mature operations is for the capital-intensive manufacturing operation, where the state ranks 44th. This operation has a TETR of 18.1 percent, nearly 43 percent above the national average. Similarly, the state ranks 43rd for the mature labor-intensive manufacturing firm. This firm has a TETR of 15.5 percent, more than 33 percent above the national average. This firm has the highest income tax burden of its type

in the nation and one of the highest sales tax burdens.

- For new operations, California ranks 49th with the second-highest tax cost for labor-intensive operations. This firm has a TETR of 20.3 percent, more than 73 percent larger than the national average. The state also ranks 47th for new capital-intensive manufacturing with a tax burden twice the national average. These firms are hampered by California's 8.84 percent income tax rate and an apportionment formula that uses a throwback rule. The state also subjects manufacturing machinery to one of the highest sales tax rates in the nation.
- The state also has one of the highest tax burdens for new corporate headquarters, ranking 45th overall. The tax costs for this operation are nearly 35 percent above the national average.
- California is notable for having very few tax incentives for newly established operations, offering only a 15 percent R&D credit.

California

Corporate income tax

Main tax rate	8.840%
Applies to income over	–
Specific adjustments:	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	25.0%	25.0%	50.0%
Optional alternative	–	–	100.0%
Throwback applies to tangible property sales		Yes	
Interstate services income apportionment		IPA	

Sales and property tax

Metro areas examined		Sales tax	Property tax				
			Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Los Angeles	9.080%	1.100%	1.100%	1.100%	–	–
Tier 2	Merced	8.750%	1.100%	1.100%	1.100%	–	–
a. Manufacturing machinery is subject to sales tax							

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax	
Rate	Max. pay			Mfg.	Services	Retail		
4.70%	\$7,000			Tier 1	0.101%	0.356%	0.127%	n/a
				Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	n/a							
Withholdings	n/a							
R&D	15% of in-state R&D expenses, per federal concepts							✓
Property tax	n/a							

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations							Mature operations								
	Tier 2 operations				Tier 1 operations			AVG	Tier 2 operations				Tier 1 operations			AVG
	MC	ML	CC	DC	CO	RD	RT		MC	ML	CC	DC	CO	RD	RT	
TETR	23.9%	20.3%	28.6%	34.5%	21.8%	16.4%	31.6%		18.1%	15.5%	20.4%	25.3%	17.2%	9.5%	17.2%	
Index	209.8	173.3	115.0	95.3	134.7	111.6	97.2	133.8	142.6	133.4	97.2	82.5	109.5	73.6	102.0	105.8
Rank	47	49	30	26	45	27	25	45	44	43	25	15	38	11	31	34

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