

# Forbes

## New Ranking Reveals Best And Worst States To Start An LLC

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A good business climate encourages entrepreneurs to start new companies and can help states attract businesses looking to relocate. A [new ranking](#) from [Venture Smarter](#) ranks the 50 states and Washington, D.C. by how easy it is to start a limited liability company, or LLC. Wyoming, Florida, and South Dakota top the ranking, while California, New York, and Delaware bring up the rear. This is just the latest ranking to show that California's and New York's policies discourage entrepreneurship and economic growth.

The ranking is based on state LLC fees (filing fees, annual fee, operating fee if required by state), cost of [certificate of publication](#) and associated advertising costs, state business tax climate, and small businesses per 100,000 residents.

New York and California have the highest year-one costs of \$1,985 and \$1,950, respectively. California also has the highest annual fee at \$820. Meanwhile, year-one costs in first-place Wyoming are only \$160 and its annual fee is only \$60. Several other states, including Texas, Idaho, South Carolina, and Arizona, have no annual fee. As a Venture Smarter spokesperson put it, "Forming a limited liability company in Wyoming can be a great way to protect your assets. The state is one of the most business-friendly states in America, and forming a limited liability company is relatively easy."

Wyoming's, Florida's, and South Dakota's rankings also benefit from each state's relatively good business tax climate. The data for the tax climate portion of the ranking comes from the Tax Foundation's [2023 State Business Tax Climate](#) index. Wyoming has the best tax climate according to the Venture Smarter ranking, followed by South Dakota and Alaska. Florida's business tax climate ranks 4<sup>th</sup>.

No single ranking can completely capture a state's business environment, so it is important to consider other data to get a fuller picture. Unfortunately for California and New York, along with other poorly ranked states such as New Jersey (48<sup>th</sup>) and Maryland (36<sup>th</sup>), this is not the only ranking where they place near the bottom. In the [Economic Freedom of North America](#) ranking

each of these states is also in the bottom half: New York is number 50, California is number 49, New Jersey is 38, and Maryland is 30.

The Tax Foundation also ranks states by their state and local tax burden. New York is again at the bottom at 50, while California is 46, New Jersey is 45, and Maryland is 35.

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Finally, in its Freedom in the 50 States project, the Cato Institute ranks states along numerous dimensions including land-use policy. Zoning and other land-use regulations increase the price of housing by restricting supply. Higher housing prices limit economic mobility by making it harder for people to move to cities and neighborhoods with better amenities and more job opportunities. According to Cato's land-use regulation ranking, New York is 46, California is 47, New Jersey is 49, and Maryland is 48.

When it comes to economic policies such as taxes, fees, and regulations, California, New York, New Jersey, and to a lesser extent Maryland, consistently land near the bottom of the various rankings. States with the advantages of California and New York—major industry hubs (New York City, Silicon Valley), busy ports, world-famous cultural amenities—can still do OK despite some economic policies that discourage growth. But as the bad economic policies stack up, even places with weather as nice as California's reach a tipping point: In 2022, the state's population shrank by 138,000 people and since 2020 it has fallen by more than 500,000. Businesses are fleeing California, too, with hundreds moving their headquarters to other states, taking their jobs with them.

States that want to keep their current businesses and residents and attract new ones should avoid the high taxes, fees, and onerous regulations that California, New York, and New Jersey impose. This is especially important for states that lack the climate and geographic advantages those coastal states have. For example, by making it relatively easy to start an LLC, Wyoming offers entrepreneurs something they cannot get in California. When it comes to economic policy, states will be better off if they follow in the footsteps of Wyoming and Florida rather than California, New York, and New Jersey.