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Best and Worst States to Start a Business in 2024 (Research)

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Amid a Rapidly Changing Landscape, Some States Have Emerged as Hot Spots for Entrepreneurs



Written by [Editorial Team – Editorial Staff](#), updated on January 19, 2024

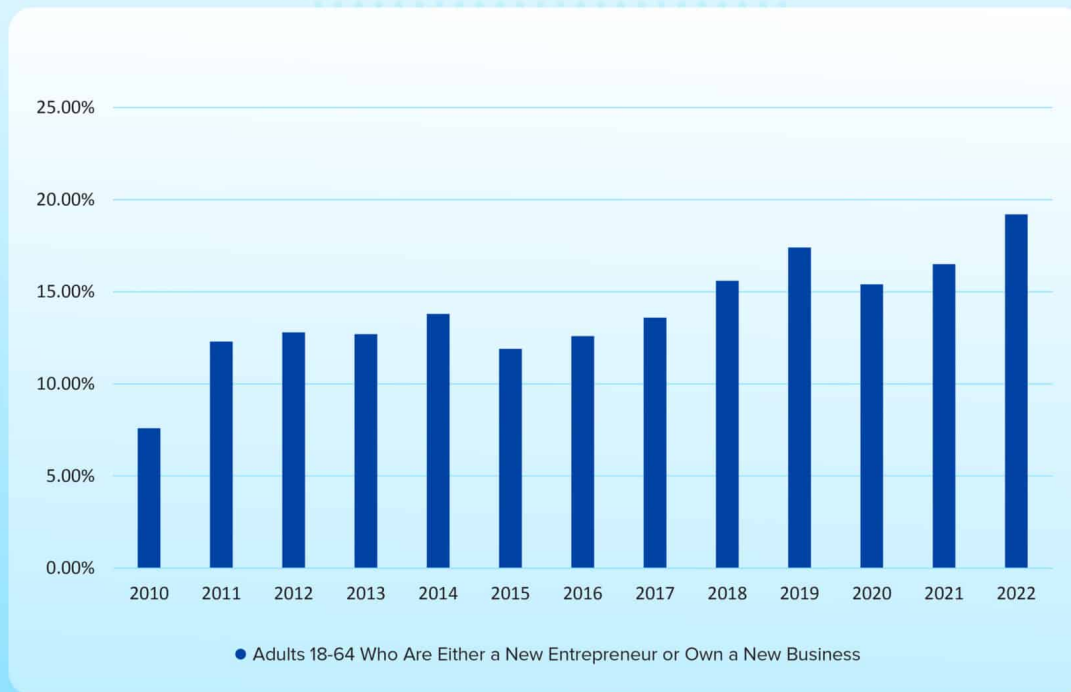


As the economy continues to recover, American innovation is alive and well. Nearly 1 in 5 working adults was a new business owner as of 2022 – up from 12.8% a decade earlier, and the highest rate in at least 20 years, according to the [Global Entrepreneurship Monitor](#).

The wave of entrepreneurship is due in part to pandemic-era job losses and the rise of quiet quitting, which prompted many Americans to strike out on their own. Now, with inflation beginning to wane and the potential of artificial intelligence beginning to be unleashed, entrepreneurs are entering a new stage of economic opportunity and technological advancement.

U.S. Entrepreneurship Rate Reaches 20-Year High

Adults 18-64 Who Are Either a New Entrepreneur or Own a New Business



Source: Global Entrepreneurship Monitor

Entrepreneurs have a great deal to consider when it comes to deciding where to set up shop or expand their operations, including demand and competition, costs of doing business, access to infrastructure and supplies, regulatory concerns and more. They should also keep in mind the state's potential to attract talent, and whether it comes with a supportive local business community. Ultimately, each state offers its own opportunities and challenges for business creation and growth.

SimplifyLLC analyzed seven metrics to identify the best and worst states to launch a business in 2024, including job creation, consumer spending, inflation, business growth and performance, corporate taxes, and whether educated workers are more likely to move in or out of the state. We found that some states are fostering stronger entrepreneurial environments than others – and the top states just might surprise you.

Key Findings

- **Wyoming is the No. 1 State.** The state has no corporate income taxes and has seen rapid business growth over the past year (39.2%). Further, about 1 in 5 businesses say their recent performance has been excellent.
- **Illinois is the Worst State.** Illinois is experiencing an exodus of educated workers (net -54,000 in 2022), and has a high corporate tax burden (maximum rate of 9.5%). California, Connecticut, Louisiana and West Virginia also rank among the bottom five.
- **Every State Has Its Pros and Cons.** Hawaii scored 45th due to its poor business performance and job creation over the past year, but it does have some of the best scores in the country when it comes to consumer spending growth (4.7%) and keeping inflation down since 2021 (16.9%).






























Best States

Wyoming may be the state with the smallest population in the U.S., but it's also the best to launch a business. It was buoyed to No. 1 by its strong business growth (39.2%) and performance (19.1% of businesses say they're doing excellent), as well as its lack of corporate taxes. But keep in mind that even Wyoming has its drawbacks, with a high degree of inflation relative to 2021 (19.8%) and low consumer spending growth (0.6%). Texas, which also has no corporate tax, took the No. 2 spot, with a strong influx of educated workers (a net of nearly 76,000 in 2022) and business growth of 23.7% in the year ending November 2023.

Best and Worst States to Start a Business

In 2024

Rank	State	Z-Score	
1	Wyoming	0.848	
2	Texas	0.830	
3	South Dakota	0.525	
4	Florida	0.502	
5	Missouri	0.430	
6	Tennessee	0.425	
7	Delaware	0.352	
8	Kansas	0.322	
9	North Carolina	0.304	
10	Nevada	0.299	
11	Utah	0.299	
12	Indiana	0.295	
13	Washington	0.290	
14	Oklahoma	0.282	
15	Alaska	0.226	
16	Pennsylvania	0.220	
17	Montana	0.216	
18	Kentucky	0.179	
19	Colorado	0.158	
20	Idaho	0.123	
21	South Carolina	0.111	
22	Maine	0.087	

23	Ohio	0.069	
24	Arkansas	0.042	
25	North Dakota	0.026	
26	Arizona	-0.017	
27	Georgia	-0.017	
28	Mississippi	-0.065	
29	Alabama	-0.067	
30	Nebraska	-0.076	
31	Maryland	-0.115	
32	Oregon	-0.189	
33	Michigan	-0.197	
34	Rhode Island	-0.199	
35	New Hampshire	-0.202	
36	New Mexico	-0.219	
37	Vermont	-0.226	
38	Minnesota	-0.240	
39	Wisconsin	-0.268	
40	Virginia	-0.299	
41	Massachusetts	-0.316	
42	New York	-0.339	
43	Iowa	-0.342	
44	New Jersey	-0.354	
45	Hawaii	-0.397	
46	District of Columbia	-0.476	
47	West Virginia	-0.481	
48	Louisiana	-0.552	
49	Connecticut	-0.588	
50	California	-0.630	
51	Illinois	-0.668	

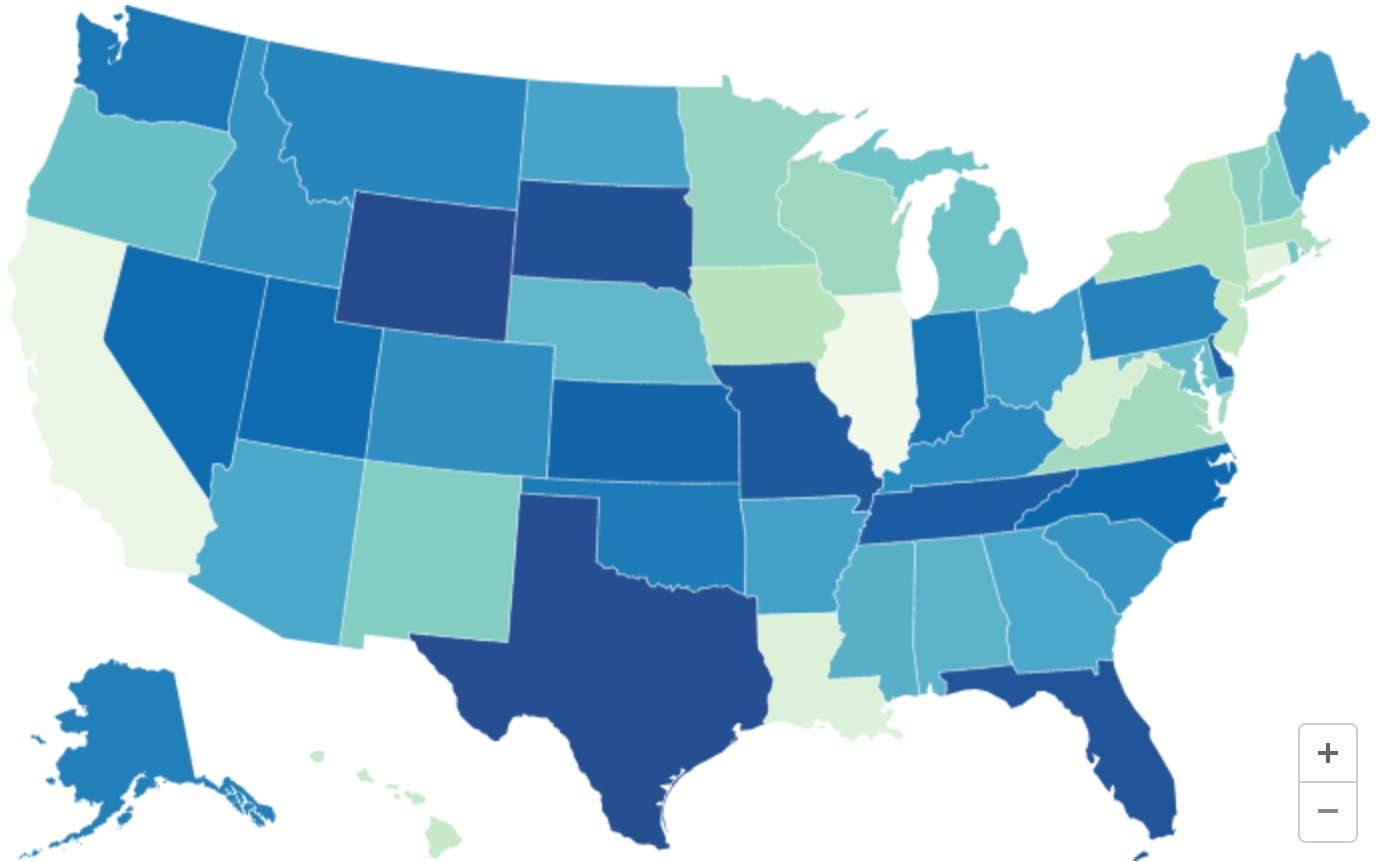
South Dakota, Florida and Missouri rounded out the top five states. No. 5 Missouri excelled in business growth (29.1%), while No. 4 Florida was brought up by job creation (12.7) and educated worker mobility (net 145,000) and No. 3 South Dakota was raised by its lack of corporate taxes, strong business performance (16.1% doing excellently) and strong consumer spending growth (4.1%).

Worst States

Illinois is the worst state to start a business, driven by a high maximum corporate tax rate (9.5%), poor business performance (8.1% say they're doing excellent), and weak mobility for educated workers. While about 105,000 educated adults moved into the state in 2022, another 159,000 moved out, meaning the state's net migration for educated workforce was nearly -54,000. Next up, California ranked No. 50. Although it has a high job creation rate (12.3) and has seen less inflation since 2021 than most other states (16.9%), California is experiencing an exodus of educated workers, with nearly 149,000 more leaving the state than moving there in 2022. It also has a high maximum corporate tax rate (8.84%) and just 9.8% of businesses say their recent performance is excellent, one of the worst rates in the U.S.

The State of American Business

Overall Ranking



Source: Simplify LLC analysis of data from the Census Bureau, Bureau of Economic Analysis, Federation of Tax Administrators, and U.S. Senate • Created with [Datawrapper](#)

Rounding out the bottom five were Connecticut, Louisiana and West Virginia, which all scored poorly on business performance and job creation, in particular. But there were also some bright spots, given Connecticut had the lowest inflation rate since 2021 (14.3%) and strong educated worker mobility (net migration of nearly 18,000).

Best and Worst States by Metric

New business growth: The rate at which new enterprises are being established reflects the entrepreneurial activity and confidence in a state. States like Wyoming and Pennsylvania have seen explosive growth recently (39.2% and 33%), while Georgia, Mississippi, Alaska and Louisiana have all seen declines (-8%, -5.5%, -2.9% and -0.5% respectively).

New Business Growth

Top States	Rate	Bottom States	Rate
Wyoming	39.2%	Georgia	-8%
Pennsylvania	33%	Mississippi	-5.5%
Missouri	29.1%	Alaska	-2.9%
Oregon	27.5%	Louisiana	-0.5%
Delaware	24.9%	Wisconsin	1.3%
		Nebraska	1.3%

Source: Census Bureau - Nov. 2022-2023

Business performance: This measure reflects the satisfaction of existing businesses, providing insights into a state's business environment and outlook. Wyoming, Mississippi and Alaska score particularly well here (19.1%, 18.8% and 17.9%), while things are less rosy in states like Connecticut and Illinois (8.1% each).

Businesses Performing Excellently

Top States	Rate	Bottom States	Rate
Wyoming	19.1%	Connecticut	8.1%
Mississippi	18.8%	Illinois	8.1%
Alaska	17.9%	California	9.8%
Tennessee	17.6%	New Jersey	10%
Maine	16.3%	Hawaii	10.2%
		New York	10.2%

Source: Census Bureau - Dec. 2023

Job creation: The ability of businesses to create employment opportunities is a direct indicator of economic vitality more broadly. Delaware and Utah take the top spots (17.1 and 14.7), while Hawaii and Rhode Island rank last (7.1 and 8.5).

Job Creation Rate

Top States	Rate	Bottom States	Rate
Delaware	17.1%	Hawaii	7.1
Utah	14.7%	Rhode Island	8.5
Colorado	13.2%	North Dakota	8.6
Arizona	13.1%	Connecticut	8.9
Idaho	12.8%	Vermont	9.2
		Iowa	9.2
		New Hampshire	9.2

Source: Census Bureau - 2021

Consumer spending: This is a key indicator that reflects the confidence and financial well-being of state residents, which will influence the success of local businesses. Alaska and Nebraska saw the most growth in 2022 (5.7% and 5%), while the New England states scored poorly, led by New Hampshire (-3.2%).

Consumer Spending Growth

Top States	Rate	Bottom States	Rate
Alaska	5.7%	New Hampshire	-3.2%
Nebraska	5%	Connecticut	-2.7%
Hawaii	4.7%	Maine	-1.7%
Idaho	4.7%	Rhode Island	-1%
Utah	4.6%	Massachusetts	-0.9%
		Oregon	-0.9%

Source: Bureau of Economic Analysis - 2021-2022

Corporate taxes: The maximum corporate tax rate directly impacts businesses' financial viability, with a lower tax rate considered to be more favorable. A handful of states have no corporate income tax, landing them at the top of the list, while Minnesota and Illinois have the highest rates (9.8% and 9.5%).

Maximum Corporate Tax Rate

Top States	Rate	Bottom States	Rate
Wyoming	0%	Minnesota	9.8%
Washington	0%	Illinois	9.5%
Ohio	0%	Alaska	9.4%
Nevada	0%	New Jersey	9%
Texas	0%	Pennsylvania	8.99%
South Dakota	0%		

Source: Federation of Tax Administrators - 2023

Inflation: Regional inflation rates impact the cost of living and doing business, with a higher rate considered worse for the economic climate. The New England states have seen the lowest rates since 2021, while states like Montana, New Mexico and Idaho have seen rates of nearly 20%.

Regional Inflation

Top States	Rate	Bottom States	Rate
Maine	14.3%	Montana	19.8%
Vermont	14.3%	New Mexico	19.8%
Massachusetts	14.3%	Idaho	19.8%
New Hampshire	14.3%	Arizona	19.8%
Connecticut	14.3%	Utah	19.8%
Rhode Island	14.3%	Colorado	19.8%
		Wyoming	19.8%
		Nevada	19.8%

Source: U.S. Senate - 2021-2023

Educated worker mobility: This metric illustrates how attractive a state is for skilled professionals, impacting the availability of a talented local workforce. Florida and Texas rank best here with major influxes of educated adults (net nearly 145,000 and 76,000 respectively), while they’ve been much more likely to leave than enter states like California, New York and Illinois (net approximately -149,000; -121,000 and -54,000).

Mobility Of Educated Adults Ages 25+

Top States	Net Migration	Bottom States	Net Migration
Florida	144,915	California	-148,905
Texas	75,583	New York	-121,446
North Carolina	41,242	Illinois	-53,778
Arizona	40,645	Massachusetts	-29,331
Georgia	37,175	Maryland	-22,031

Source: Census Bureau - 2022

Conclusion

While all states offer various opportunities and challenges for entrepreneurs, our findings may upend preconceived ideas about the traditional hubs of American innovation. As the business landscape continues to evolve in 2024, it's critical for aspiring entrepreneurs and established businesses alike to keep on top of these regional nuances, enabling them to make strategic decisions about where to set up shop or expand their operations amid an ever-changing environment.

Methodology

We used the most recent data for seven metrics to determine the best and worst states to start a business. We used a Z-score distribution to scale each metric relative to the mean across all 50 states and Washington, D.C., and capped outliers at 3. We multiplied these scores by -1 if it was better to have a lower rate, including for corporate tax rates and inflation. A state's overall ranking was calculated using its average Z-score across the seven metrics. Here's a closer look at the metrics we used:

- New business growth rate, Nov. 2022-2023 ([Census Bureau](#))
- Share of businesses that say their current performance is excellent, Dec. 2023 ([Census Bureau](#))
- Job creation rate, 2021 ([Census Bureau](#))

- Consumer spending growth, 2021-2022 ([Bureau of Economic Analysis](#))
- Maximum corporate tax rate, 2023 ([Federation of Tax Administrators](#))
- Regional inflation as of Nov. 2023, relative to Jan. 2021 prices ([U.S. Senate](#))
- Educated worker mobility: Net migration in 2022 among workers with at least some college, an associate's, bachelor's or graduate degree ([Census Bureau](#))

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