

# Ease of Doing **Ranking the**



**Doing Business  
North America**

# g Business: Cities

In this year’s edition, there are six categories on which the cities were scored and ranked on the ease of starting and operating a small- or medium-sized business: Starting a Business, Employing Workers, Getting Electricity, Registering Property, Paying Taxes, and Resolving Insolvency.

These categories are composed of a total of 63 data indicators, variables, and indexes grouped together into a total of 36 scored variables. The cities are scored and ranked using the methodology described in the appendix.

Country	State/Province	City	Score: Ease of Doing Business	Rank: Ease of Doing Business
United States	Oklahoma	Oklahoma City	85.22	1
United States	Virginia	Arlington	84.41	2
United States	South Dakota	Sioux Falls	84.24	3
United States	Idaho	Boise	83.68	4
United States	Georgia	Atlanta	83.37	5
United States	North Carolina	Charlotte	82.97	6
United States	Texas	Houston	82.89	7
United States	Wyoming	Cheyenne	82.41	8
United States	Virginia	Virginia Beach	82.14	9
United States	South Carolina	Charleston	82.00	10
United States	West Virginia	Charleston	81.88	11
United States	North Dakota	Fargo	81.81	12
United States	Nevada	Las Vegas	81.77	13
United States	Ohio	Columbus	81.56	14
United States	Alaska	Anchorage	81.16	15
United States	Kentucky	Louisville	81.08	16
United States	Delaware	Wilmington	80.86	17
United States	Utah	Salt Lake City	80.77	18
United States	Tennessee	Nashville	80.66	19
United States	Arizona	Phoenix	80.52	20
United States	New Hampshire	Manchester	79.98	21
United States	Alabama	Birmingham	79.72	22

Country	State/Province	City	Score: Ease of Doing Business	Rank: Ease of Doing Business
United States	Mississippi	Jackson	79.71	23
United States	Indiana	Indianapolis	79.16	24
United States	New Mexico	Albuquerque	78.98	25
United States	Ohio	Cleveland	78.80	26
United States	Iowa	Des Moines	78.54	27
United States	Kansas	Wichita	78.35	28
United States	Louisiana	New Orleans	78.18	29
United States	Montana	Billings	78.16	30
United States	Missouri	St. Louis	77.91	31
United States	Hawaii	Honolulu	77.89	32
United States	Florida	Miami	77.86	33
United States	Florida	Orlando	77.82	34
United States	Florida	Tampa	77.49	35
United States	Texas	Dallas	77.42	36
United States	Florida	Jacksonville	77.10	37
United States	Nebraska	Omaha	76.88	38
United States	Maine	Portland	76.72	39
United States	Minnesota	Minneapolis	76.41	40
United States	Texas	Austin	76.34	41
United States	Colorado	Denver	76.21	42
United States	Oregon	Portland	75.89	43
United States	Wisconsin	Milwaukee	75.39	44
United States	Illinois	Chicago	75.04	45
United States	Arkansas	Little Rock	74.44	46
United States	Michigan	Grand Rapids	74.05	47
United States	Massachusetts	Boston	73.90	48
United States	Maryland	Baltimore	73.70	49
United States	Washington	Seattle	73.55	50
United States	Vermont	Burlington	73.42	51
United States	Rhode Island	Providence	73.41	52
Canada	Nova Scotia	Halifax	71.77	53

Country	State/Province	City	Score: Ease of Doing Business	Rank: Ease of Doing Business
United States	Texas	San Antonio	70.89	54
United States	Michigan	Detroit	70.78	55
United States	New Jersey	Newark	70.75	56
United States	Connecticut	Bridgeport	70.71	57
Canada	Alberta	Calgary	70.12	58
United States	New York	Rochester	69.41	59
United States	Pennsylvania	Pittsburgh	69.38	60
United States	Pennsylvania	Philadelphia	68.55	61
United States	New York	New York City	68.30	62
Canada	Newfoundland and Labrador	St. John's	68.09	63
United States	California	San Jose	67.20	64
United States	District of Columbia	Washington, D.C.	66.19	65
Canada	British Columbia	Vancouver	66.19	66
Canada	Alberta	Edmonton	65.29	67
United States	New York	Buffalo	65.25	68
Canada	New Brunswick	Moncton	65.20	69
Canada	Manitoba	Winnipeg	65.17	70
Canada	Saskatchewan	Saskatoon	64.78	71
United States	California	Los Angeles	64.31	72
United States	California	San Diego	62.64	73
Canada	Ontario	Ottawa	62.31	74
Canada	Ontario	Toronto	60.89	75
Canada	Quebec	Quebec City	60.25	76
United States	California	San Francisco	59.04	77
Mexico	Nuevo León	San Pedro	53.34	78
Mexico	Nayarit	Tepic	52.44	79
Mexico	Baja California	Tijuana	52.33	80
Mexico	Guanajuato	León	50.62	81
Mexico	Tlaxcala	Apizaco	48.91	82
Mexico	Coahuila	Saltillo	48.89	83
Mexico	Aguascalientes	Aguascalientes	48.36	84

Country	State/Province	City	Score: Ease of Doing Business	Rank: Ease of Doing Business
Mexico	Durango	Durango	47.93	85
Mexico	Chihuahua	Chihuahua	47.84	86
Mexico	Sinaloa	Culiacán	47.79	87
Mexico	Mexico City	Mexico City	47.12	88
Mexico	Chihuahua	Juárez	46.93	89
Mexico	Campeche	Campeche	46.92	90
Mexico	San Luis Potosí	San Luis Potosí	46.86	91
Mexico	México	Naucalpan	46.57	92
Mexico	México	Nezahualcóyotl	46.32	93
Mexico	Querétaro	Querétaro	46.11	94
Mexico	Colima	Colima	46.00	95
Mexico	Nuevo León	Monterrey	45.96	96
Mexico	Baja California Sur	La Paz	45.66	97
Mexico	México	Ecatepec	45.51	98
Mexico	Quintana Roo	Cancún	45.47	99
Mexico	Yucatán	Mérida	45.14	100
Mexico	Morelos	Cuernavaca	44.99	101
Mexico	Guerrero	Acapulco	44.86	102
Mexico	Tamaulipas	Reynosa	44.64	103
Mexico	Oaxaca	Oaxaca	44.05	104
Mexico	Chiapas	Tuxtla Gutiérrez	44.01	105
Mexico	México	Toluca	43.70	106
Mexico	Sonora	Hermosillo	43.52	107
Mexico	Tabasco	Villahermosa	43.24	108
Mexico	Hidalgo	Pachuca	42.81	109
Mexico	Coahuila	Piedras Negras	42.71	110
Mexico	Michoacán	Morelia	42.44	111
Mexico	Veracruz	Boca del Rio	42.18	112
Mexico	Jalisco	Guadalajara	42.18	113
Mexico	Zacatecas	Zacatecas	41.62	114
Mexico	Puebla	Puebla	41.31	115

## Analysis

This year, Oklahoma City accumulated the highest Ease of Doing Business Score. Mexican cities accumulated the lowest scores, although the highest-ranking Mexican cities are just behind the lowest-ranked U.S. city (San Francisco). Canadian cities rank primarily in the middle third of the overall ranking, but three Canadian cities top the ranking in the category of “Starting a Business.”

A more technical explanation of the categories is in the Appendix. Some of the categories exhibit little variation between cities within each country. The “Registering Property” category tends to reflect the level of transparency in state and local governments as well as how advanced a city is in terms of allowing online filing of documents. “Getting Electricity” mainly reflects the cost of energy in a particular city, so local market conditions paired with state and national regulations tend to be the primary influence.

The remaining individual categories that make up the overall Ease of Doing Business ranking are more competitive and show more diversity. In this section, we want to focus on those three in particular. They are the categories that have both the most interesting variations and together make up about 80% of the overall score: Starting a Business, Employing Workers, and Paying Taxes.

## Starting a Business

The Canadian cities of Winnipeg, Halifax, and Moncton lead the “Starting a Business” category, which measures the number of legal procedures required to start a business and the costs – in both fees and calendar days – associated with those procedures. In those cities, it takes no more than three procedures, and the time required to set up a business is no longer than 10 days and could be as short as two days. By comparison, for Canadian cities as a whole, the average is up to 16 days.

While those three Canadian cities have the fastest process for opening a business, the average among the Canadian cities is longer than the U.S. average. In most U.S. cities, it would take on average less than a week to set up a business – and in some cities it can be done in a day. That’s a far cry from the


lowest-scoring U.S. city in this category – Little Rock, Arkansas – which is bested by all U.S. and Canadian cities, and all but 9 of the 38 Mexican cities. In Little Rock, it could take over two months to navigate the bureaucracy and complete the procedures necessary to start a business. By contrast, it takes up to 29 days in the average Mexican city. Yet there are still some bright spots in this category in that country: In San Pedro, it takes no more than 4 days.

**The average time it takes to start a business among the Canadian cities is longer than the U.S. average of less than a week.**

## Employing Workers

Mandates on employers – like minimum wages and required paid leave – make up the majority of the “Employing Workers” category. Here we see Arlington, Virginia, at the top. All Mexican cities fill out the bottom ranks here too, but Ottawa, San Francisco, Washington, D.C., and Quebec City score substantially lower than average and well below the next highest group of cities.

How well or poorly each city ranks in this category was largely influenced by minimum wage requirements that raise the cost of hiring a worker. Although there is some disagreement among researchers on the question of whether minimum wages decrease employment opportunities for young workers or those with less work experience, there is little disagreement over the fact that raising the minimum wage does indeed at least increase the economic cost of hiring a worker. Whether a minimum wage in a city is likely to inordinately increase the cost of doing business is likely to be a function of how high the wage is relative to the cost of living in that city. For instance, a \$7.25 minimum wage (the current federal minimum wage in the U.S.) is going to translate into a greater labor cost to businesses in a low-cost-of-living area like Birmingham, Alabama, than it would in Boston, Massachusetts. For that reason, our minimum wage variable (which includes the highest of the federal, state, or local minimum wage level in each city) is measured as a percentage of per capita personal income.



**Mandates on employers – like minimum wages and required paid leave – make up the majority of the “Employing Workers” category.**

Cities like Buffalo, Rochester, Newark, Los Angeles, and San Diego had high minimum wages even after being weighed against the cost of living in those areas. Those cities had local minimum wages substantially higher than the federal minimum wage. Other cities – like Phoenix – that have generally good scores on many other attributes related to the ease of doing business scored low in this respect for this reason as well.

## Paying Taxes


The category “Paying Taxes” includes the gamut of taxes that a business is likely to face: personal income taxes, corporate income taxes, and property taxes. The rates included in this ranking are an aggregate of federal, state, and local rates for these taxes. Because the DBNA is a ranking of how easy it is to operate a small- or medium-sized business, it was important to consider that many businesses of that size are incorporated as S-corporations, proprietorships, or limited liability corporations. These are known to accountants as “pass-through entities,” meaning the profits of these businesses “pass through” to the owners, who derive their primary income from them, and they are taxed as personal income (subject to specific exemptions for business expenses, like depreciation of equipment). As a result, it was important to include those rates in the score. However, not all small- or medium-sized businesses are incorporated in this way. Some may be traditional C-corporations, which pay taxes as a traditional corporation through the corporate income tax. So, those rates are included too.



Additionally, a handful of cities have municipal-level personal, corporate, and (in some cases) gross receipts or business profits taxes. Those rates are included and scored here too. This is particularly important in the analysis, as our focus is on the municipal unit of governance, and this makes the DBNA study unique from other rankings and indexes that focus mainly on state-level taxes. To that end, we also included a measure of effective property tax rates, a distinctly local tax in most places.

In all cases, we scored the rate that would most likely face the average small- or medium-sized business in that city (which isn't necessarily the top tax rate in each state or city). That means some jurisdictions that may seem like "high-tax" cities or states may not score as low in our ranking as they might in other tax burden rankings that rely on scoring only the top personal or corporate income tax rate. By the same token, some states that appear to be low- or average-tax jurisdictions in other state-level rankings may appear in the DBNA as higher-tax jurisdictions as a result of local-level income taxes or our inclusion of the property taxes that businesses face in those cities.

In this category, Vancouver scores the best, mainly on the strength of the lower personal and corporate income tax rates that an average small- or medium-sized business would face. Pittsburgh is the lowest-scoring city in the U.S. in this category due to its combined tax burden on businesses, which includes a city-level personal and corporate income tax. Other low-scoring cities, like Philadelphia, New York City, Albuquerque, and Honolulu share these same attributes. Meanwhile, some cities from states that have low overall state-level taxes actually look like higher-tax jurisdictions when other local business taxes are included (such as Orlando, Tampa, and Miami) or when property taxes are included (like Phoenix).



**Some places that appear to be low-tax jurisdictions in other state-level rankings may appear in the DBNA as higher-tax jurisdictions as a result of including local-level taxes.**

## Conclusion

The methodology and structure of the DBNA, as well as its annual nature, will allow researchers to track improvement or decline of local regulatory burdens at the state and local level. It can help journalists understand the context of important public policy discussions relating to the ease of doing business. It can allow policymakers to see where their state and city fall short and where they excel, as well as provide a roadmap for improvement. Good policy doesn't occur in a bubble. In the international competition for talent and capital, the regulatory environment is a critical factor. Knowing what your neighbors are doing is important. The DBNA study intends – through the creation of comparable measures over time and its overall Ease of Doing Business score – to contribute to the understanding of which regulatory environments can produce the best economic outcomes for the largest number of people.