10 Best States to Start a Business (+ the 5 Worst)

If 2024 resembles the last two years, this marks an excellent time for starting a business. Entrepreneurs in the U.S. launch roughly 4.4 million new businesses every year. Both 2022 and 2023 blew that average out of the water, with 5 million startups in 2022 and a massive 5.7% year-over-year increase over that in just the first six months of 2023.

But, taking the plunge to get your business idea off the ground should not be taken lightly, and where you start your new endeavor should be a primary consideration.



In this guide to the best states to start a business, Fit Small Business evaluated and ranked each state based on criteria including average rent costs, crime rates, taxes, market saturation, and local labor markets.



To understand all the information used to conduct Fit Small Business's study, see the complete data set and rankings.

10. Georgia



- **Overall Rank:** 10
- **Affordability Ranking:** 22
- **Labor Market Ranking:** 13
- **Local Market Conditions Ranking:** 2

You can get peaches *and* a prosperous new business down in the great state of Georgia. Georgia earned points for its affordable cost of living, even in major metro areas, an inexpensive labor market, and low crime rates. Not only that, Georgians like to spend, with the average shopper dropping nearly $50,000 a year on personal expenses.

Georgia lost points because it only has 0.917 people per job opening. And businesses face higher taxes than many other states. Overall, new businesses tend to have a hard time surviving in Georgia, especially in their first year.

However, if you can carve out a successful niche, Georgia's overall affordability and low cost of living provide ideal growing conditions for your business to thrive.

9. Indiana



- **Overall Rank:** 9
- **Affordability Ranking:** 5
- **Labor Market Ranking:** 9
- **Local Market Conditions Ranking:** 3

Indianapolis is more than a great place for race cars and basketball. Circle City is a top location for starting a business, thanks to Indiana's favorable new business climate.

A low 3.15% income tax, below-average business taxes, and significantly cheaper operating expenses all translate to one message: Indiana is open for business.

Hoosiers can also take a sigh of relief knowing that all their profits won't disappear to rent or everyday expenses. Plus, those dollars you save go 11.20% farther than the country's average. That's a slam dunk.

Where Indiana isn't quite as competitive is in its labor market, which is relatively tight. However, that labor is inexpensive at only $7.25 per hour minimum wage. Additionally, Hoosiers had a lack of start-up activity in recent years. And, while per capita personal expenditures are relatively low, that can be attributed partially to the low cost of living.

8, North Carolina



- **Overall Rank:** 8
- **Affordability Ranking:** 22
- **Labor Market Ranking:** 4
- **Local Market Conditions Ranking:** 12

Tarheels will be pleased to hear that their state is another top place for new businesses to put down their roots. North Carolina offers a favorable tax climate, with income taxes coming in at only 4.75% and the business tax climate ranking in the top 10 in the country.

Additionally, North Carolina has a lot of available labor—over 1.2 available people per job opening, and Tarheels are inexpensive to employ as the state minimum wage is only $7.25 per hour.

While the tax climate and labor markets are top-notch, North Carolina has relatively high commercial rent rates. Additionally, in its larger cities, the cost of living can get high, and you can expect much higher commercial rent prices and crime rates in those areas.

7. Tennessee



- **Overall Rank:** 7
- **Affordability Ranking:** 4
- **Labor Market Ranking:** 12
- **Local Market Conditions Ranking:** 23

Moving down to the Volunteer State, Tennessee is another top place to start a business. Tennessee is a zero-income tax state offering a business tax climate as friendly as the southern

state itself. Additionally, Tennessee boasts low commercial rent rates and overall cost of living, along with a population that loves to spend their dollars.

Tennessee lost points for its labor market, with only 0.93 people per job opening. Additionally, the state has not seen much startup activity in recent years, partly due to high crime in metropolitan centers.

6. Oklahoma



- **Overall Rank:** 6

- **Affordability Ranking:** 6
- **Labor Market Ranking:** 7
- **Local Market Conditions Ranking:** 6

Coming in for a top position, Oklahoma is more than just OK for starting a business. The Sooner State is incredibly affordable, with the country's second lowest cost of living, low commercial rent rates, and low personal and business income taxes.

Okies are also sitting pretty with their purchasing power, with every dollar going 16.5% further than the national average (even if they don't tend to spend very much). Oklahoma's labor market is also top-notch, with the minimum wage starting at $7.25 and more than 1.04 available workers per job opening.

Oklahoma has a lot to offer, but start-up activity still needs to grow, with only $164 million invested in 2022. Additionally, Oklahoma's business survival rating is low compared to other states in the top ten.

5. Wisconsin



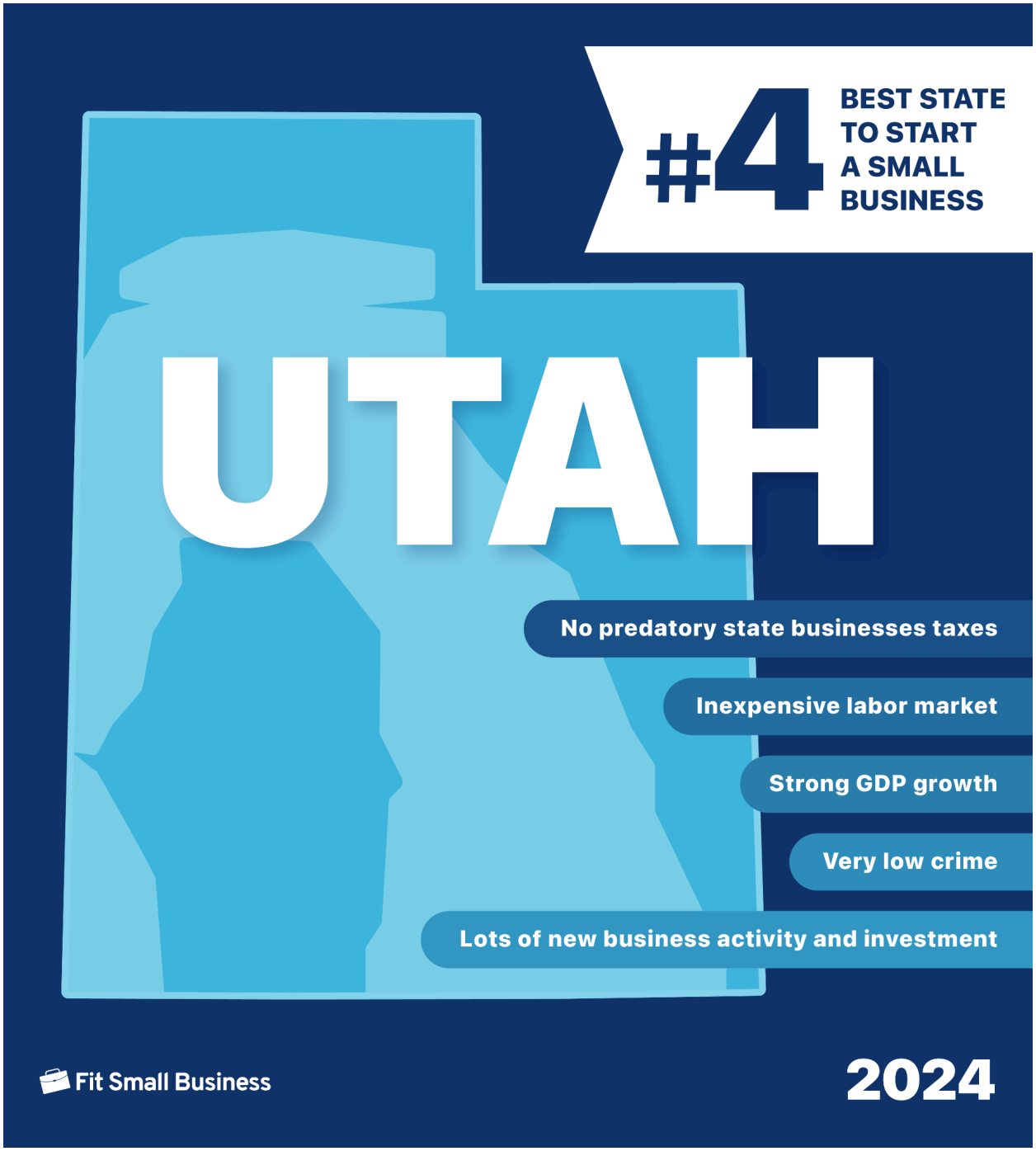
- **Overall Rank:** 5
- **Affordability Ranking:** 25
- **Labor Market Ranking:** 19
- **Local Market Conditions Ranking:** 19

Wisconsin might have some of the most brutal winters in the country, but its climate is nearly unbeatable for starting a business. Wisconsin offers inexpensive labor with a $7.25 minimum wage, a low cost of living with high purchasing power, and a population with a propensity for spending – more than $52,000 per capita on personal expenses for Wisconsinites each year.

Meanwhile, crime in the Dairy State remains relatively low. Together, these factors are driving an explosion of new business investment in recent years.

You certainly should not shy away from starting your business in the great Badger State. However, be mindful of the state's relatively high taxes on both income and businesses, as well as its lackluster labor market, with less than one person available per job opening.

4. Utah



- **Overall Rank:** 4

- **Affordability Ranking:** 13
- **Labor Market Ranking:** 22
- **Local Market Conditions Ranking:** 10

Utah is renowned for its incredible landscapes. And its beautiful landscapes are an ideal environment for new businesses. With an excellent tax climate, inexpensive labor, and a local market that boasts tons of new business investment and growth – the Beehive State is buzzing with potential for new businesses.

While Utah offers a picturesque climate for new businesses, the state has challenges, including a tight labor market.

Additionally, commercial rent rates are relatively high, and due to the growth that the state has seen over the last decade, prices have increased while local purchasing power has decreased.

3. Michigan



- **Overall Rank:** 3
- **Affordability Ranking:** 7
- **Labor Market Ranking:** 3
- **Local Market Conditions Ranking:** 7

Taking a trip up north to the Great Lakes State, Michigan is a top contender for the best state to start a business. And it's no wonder. Along with all those lakes, Michigan performed well in almost every area that Fit Small Business assessed. The Mitten State touts a strong labor market, low minimum wage ($10.10/hour), low income and business taxes, high levels of new business investment, and prosperity among the local population.

However, Michigan has a few potential cons to consider. Despite low start-up activity, commercial rent prices are high compared to other Midwest states.

Pure Michigan also proved not so pure, receiving a low overall crime rating that docked its score in the local market conditions category. While the Mitten State has plenty of safe places to start a business, its metropolitan areas skew the crime metric.

2. West Virginia



- **Overall Rank:** 2
- **Affordability Ranking:** 7
- **Labor Market Ranking:** 9
- **Local Market Conditions Ranking:** 11

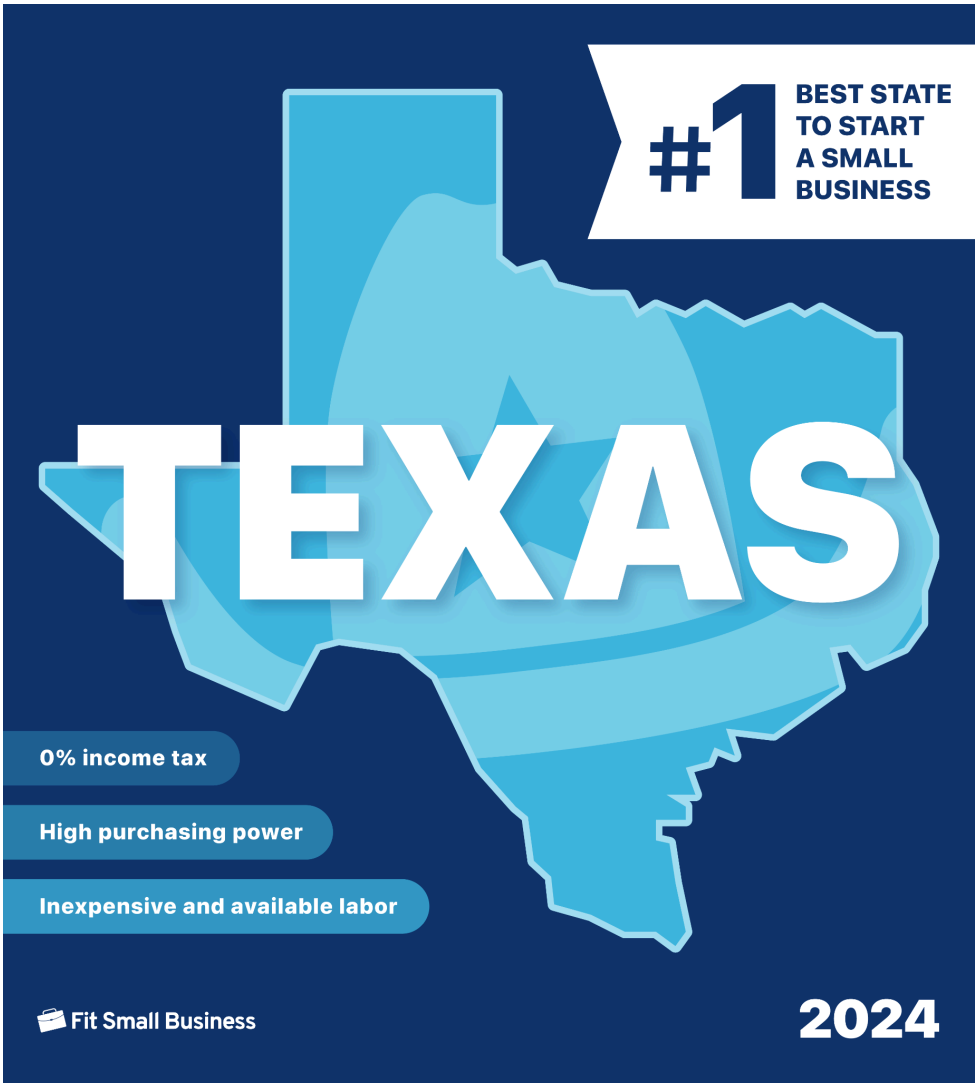
The Mountain State is a top destination for starting a new business. With low commercial rent rates, inexpensive labor, and low crime, it's no wonder that people call West Virginia "Almost Heaven," especially for new businesses looking for an affordable place to call home.

However, the good news doesn't end there. West Virginia also boasts a low cost of living and a population with relatively high personal spending proclivities.

While Mountain Mama did her best to tailor her state for new business activities, West Virginia invests little in new businesses, resulting in the lowest startup activity in the country.

West Virginia holds significant potential to accelerate its startup activity. Simply launching new businesses can shift the momentum and kickstart startup investments.

1. Texas



- **Overall Rank:** 1
- **Affordability Ranking:** 10

- **Labor Market Ranking:** 5
- **Local Market Conditions Ranking:** 3

When starting a new business, there's no better place to look than Texas. Over the past decade, the Lone Star State's low cost of living and business-friendly tax climate has driven an economic boom rivaling the oil rush.

If you're looking for low taxes, look no further than Texas with a 0% income tax on businesses and individuals and no predatory corporate tax offsets. Texas also adheres to the ultra-low federal minimum wage. And Texas has 1.17 people looking for jobs for every available position.

Couple all this with a relatively cheap cost of living, and you'll find your little slice of bluebonnet business heaven.

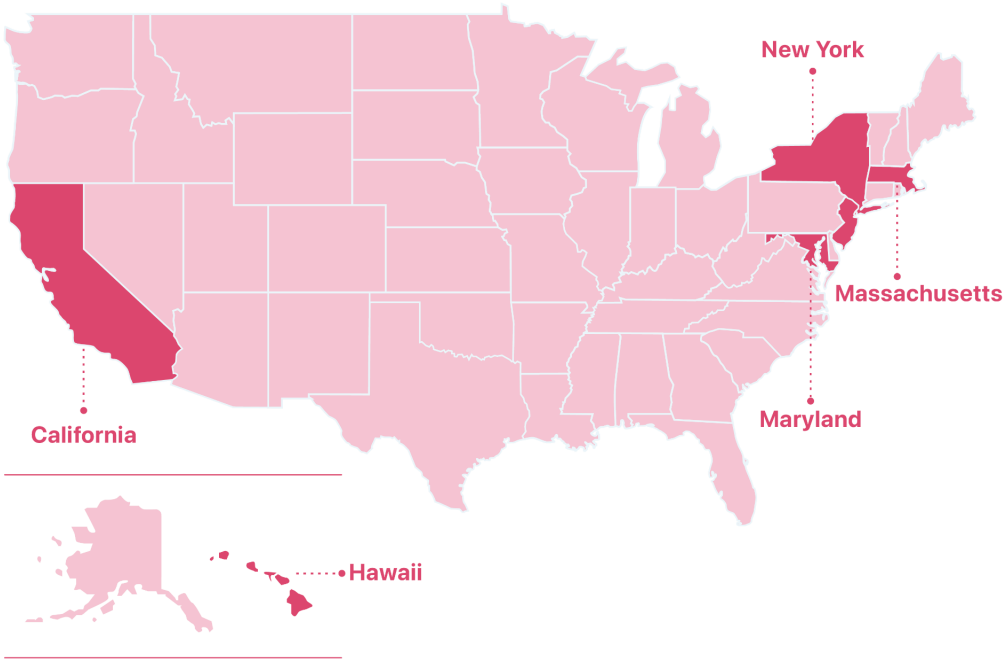
That's not to say Texas is the perfect place to start a business. Given the size of the state, banks and investors tend to be frugal with their money, making it challenging to finance a new business.

While Texans, by and large, are high earners, they seem more focused on saving rather than spending, landing the state in the tenth position for per capita personal income expenditure.

Worst States to Open a Business

We've covered the best states to start a business. Now, let's look at the worst.

5 WORST STATES TO START A BUSINESS



Typically, the worst states to start a business are expensive. For businesses, this means high taxes, high cost of living, and low spending power. The worst states typically have tight labor markets with low availability and expensive wages.

Additionally, the most challenging states for starting a new business have local markets that are difficult to compete in, low availability of capital for investment, low business survival rates, high crime, and high rent.



46. New York

- **Overall Rank:** 46
- **Affordability Ranking:** 43
- **Labor Market Ranking:** 27
- **Local Market Conditions Ranking:** 13

Kicking off the five worst states to start a business, New York takes the 46th position. Yes, the Empire State has a lot to offer a new business—on the surface. The population spends a whopping $60,000 per year in per capita personal expenditures. The state's labor market is ripe for businesses, with 1.8 available people per job opening. And investors dropped a massive $58.6 billion into startups in 2023.

Despite all these pros, however, the cons still tip the scales against New York—the single biggest factor: cost.

New York ranks at the bottom of the cost of living index with -25.7% purchasing power, its commercial rent rates are some of the highest in the country, and it lands in last place for the State Business Tax Climate index from the tax foundation. Unfortunately for the Empire State, the bad outweighs the good for starting a business in New York.

47. California

- **Overall Rank:** 47
- **Affordability Ranking:** 42
- **Labor Market Ranking:** 15
- **Local Market Conditions Ranking:** 10

The Golden State is not a golden opportunity for small businesses in 2024. California lands toward the bottom of the list of the best states to start a business. While Cali does offer the best business survival rate in the country and lots of available capital to finance new business ideas, overall, the market is costly.

In fact, every California resident's spending power is effectively -27% of their actual income.

If you have the means, California is a beautiful state with lots of wealth. However, achieving prosperity in this market is arduous. "Scraping by" is the plight of many new businesses in the state.

48. Maryland

- **Overall Rank:** 48
- **Affordability Ranking:** 40
- **Labor Market Ranking:** 8
- **Local Market Conditions Ranking:** 27

Maryland ranks 48th among states for starting a business. While Maryland saw nearly 5,000 new companies in 2022, it remains at the bottom of the list because of cost. Even a labor-rich workforce couldn't help Maryland overcome how expensive it can be to own a business in the Free State.

Income taxes are lower than in other states in the region, but high property and labor taxes offset any savings, driving up business costs. Not only that, the average citizen's purchasing power is a low 19%, coupled with a 47th-out-of-50 cost of living.

Translation: It's crazy expensive to start a business, and Marylanders don't have a lot of extra coin to spend with you, either.

49. Massachusetts

- **Overall Rank:** 49
- **Affordability Ranking:** 38

- **Labor Market Ranking:** 27
- **Local Market Conditions Ranking:** 15

Following Maryland, Massachusetts came in 49th place. While the local population has one of the highest per capita personal expenditures at over $54,000 per year and a good amount of available capital, Massachusetts is very expensive due to its cost of living and high taxes.

Also, the Bay State has more open positions than unemployed people, and labor costs a hefty $15.00 per hour minimum wage.

You can make it in Massachusetts if you secure labor and enough profit. Still, you'll need tons of capital to succeed, making Massachusetts one of the worst states for new businesses.

50. Hawaii

- **Overall Rank:** 50
- **Affordability Ranking:** 41
- **Labor Market Ranking:** 9
- **Local Market Conditions Ranking:** 46

Hawaii lands in last place for the best state to start a business. Despite 1.213 candidates per job opening and nearly $60 million of investments in new business endeavors in 2022, at the end of the day, starting a business in Hawaii is expensive.

From high taxes to commercial rent prices that average more than $70 per square foot to a population that struggles with the astronomically high cost of living—it's tough for a new business to say "Aloha" to the Aloha State.

Conclusion

To determine our best and worst lists, Fit Small Business examined more than 800 data points examining business, economic, and demographic data from all fifty states. For a detailed breakdown of each state's data, or to explore the data we used, visit FitSmallBusiness.com.

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