

Uneven Ground: Canada's Business Tax Disadvantage Compared to the United States

Supplementary Information on Methodology

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Table of contents

Appendix 4 - Difference Between Taxes Paid by Micro- and Small Businesses..... 3

Appendix 5 - Analyzed Tax Rates: Income and Franchise Taxes 4

Appendix 6 - Analyzed Tax Rates: Payroll Taxes 11

Appendix 7 - Analyzed Tax Rates: Property Taxes 20

Appendix 8 - Analyzed Tax Rates: Additional Local Taxes 24

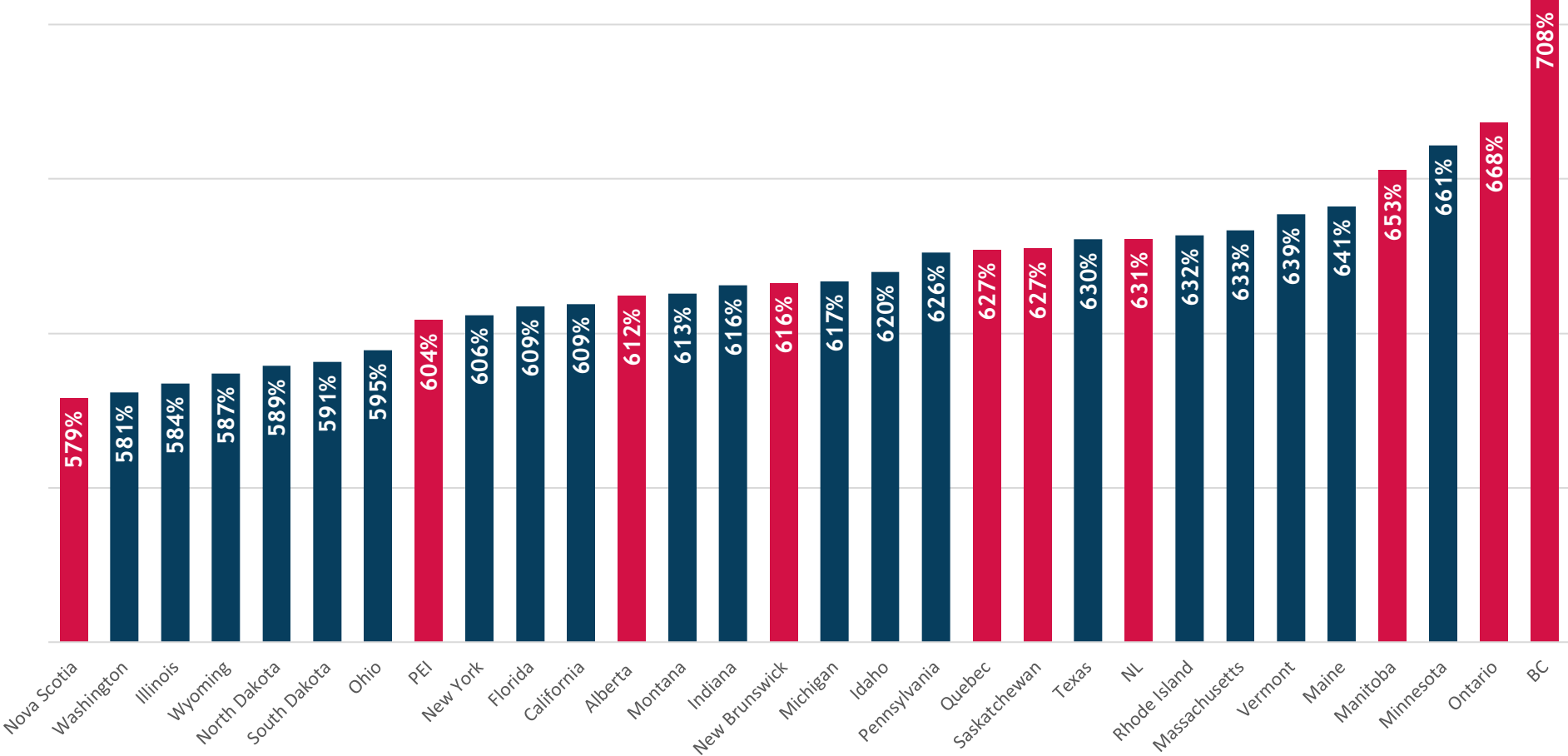
Endnotes & About CFIB 26

Table of Contents

As we have seen, jurisdictions’ standings for microbusinesses do not necessarily align with their rankings for small businesses. Businesses in all jurisdictions see increased taxation when growing from a microbusiness to a small business in our analysis, but the increase varies due to different tax environments. For example, for BC, the small business analyzed pays 708% more in taxes than the microbusiness (see Figure 21). As a result, BC performs significantly worse for small businesses than microbusinesses. By contrast, for Nova Scotia, the analyzed small business pays only 579% more in taxes than the microbusiness, so the province performs significantly better among microbusinesses.

Figure 21

PERCENTAGE INCREASE IN TAX BURDEN WHEN SHIFTING FROM MICROBUSINESS TO SMALL BUSINESS



Appendix 4

Difference Between Taxes Paid by Micro- and Small Businesses

Canadian corporate income taxes

If a Canadian business is incorporated, its net income is subject to federal and provincial corporate income tax. In order to calculate income taxes paid by Canadian businesses, net income is determined by subtracting business expenses such as payroll taxes and property taxes from pre-tax net income. Any net income below the threshold is taxed at the lower small business tax rate (SBTR) while income in excess of this threshold is taxed at the higher general corporate income tax rate.

Table 7
Applicable corporate income taxes and corresponding rates, 2025, by Canadian jurisdiction

Province	Small Business Tax Rate (SBTR)	Small Business Tax Rate Threshold (\$ thousands)	General Corporate Income Tax Rate
British Columbia	2%	500	12%
Alberta	2%	500	8%
Saskatchewan	1%	600	12%
Manitoba	0%	500	12%
Ontario	3.2%	500	11.5%
Quebec	3.2%	500	11.5%
New Brunswick	2.5%	500	14%
Nova Scotia	1.5%	700	14%
Prince Edward Island	1%	600	16%
Newfoundland and Labrador	2.5%	500	15%
Federal	9%	500	15%

Source: KPMG, Canadian corporate tax tables. Accessed April 2025. <https://kpmg.com/ca/en/home/services/tax/tax-facts/canadian-corporate-tax-tables.html>

Note: Some Canadian provinces offer lower general corporate income tax rates for manufacturing and processing income.ⁱ

Appendix 5
Analyzed Tax Rates:
Income and
Franchise Taxes

U.S. personal income taxes

U.S. small businesses which are S corporations are taxed via the personal income tax returns of each of their shareholders. This arrangement applies for federal personal income taxes and most analyzed U.S. states. Given that S corporations represent the vast majority of U.S. incorporated businesses, this analysis uses U.S. federal and state personal income taxes to determine income taxes payable.ⁱⁱ Business net income is subject to the same taxation as individual income, with net income above certain thresholds subject to different tax rates. Like with Canadian corporate income taxation, only the amount of net income above each threshold is subject to the tax rate associated with that threshold. To calculate this, business expenses such as payroll and property taxes are subtracted, in addition to any applicable franchise taxes.

Table 8
Applicable personal income taxes and corresponding rates (for joint filers), 2025, by American jurisdiction

State	Specifics (thresholds given as \$ amounts)	Standard Deduction	Personal Exemption
California	1%>0; 2%>21,512; 4%>50,998; 6%>80,490; 8%>111,772; 9.3%>141,732; 10.3%>721,318; 11.3%>865,574; 12.3%>1,000,000; 13.3%>1,442,628	\$11,080	\$298 ⁱⁱⁱ
Texas	None		
Florida	None		
New York	4%>0; 4.5%>17,150; 5.25%>23,600; 5.5%>27,900; 6%>161,550; 6.9%>323,200; 9.7%>2,155,350; 10.3%>5,000,000, 10.9%>25,000,000	\$16,050	
Pennsylvania	3.07%>0		
Montana	4.7%>0; 5.9%>42,200	\$31,500	
Michigan	4.25%>0		\$11,600
Illinois	4.95%>0		\$5,700
North Dakota	1.95%>80,975; 2.5%>298,075	\$31,500	
Vermont	3.4%>0; 6.6%>79,950; 7.6%>193,300; 8.8%>294,600	\$14,850	\$10,200
Maine	5.8%>0; 6.75%>53,600; 7.15%>126,900	\$31,500	\$10,300
Minnesota	5.4%>0; 6.8%>47,620; 7.85%>189,180; 9.9%>330,410	\$29,900	
Washington	None		
Ohio ^{iv}	3%>250,000		
Massachusetts	5%>0; 9%>1,083,150	\$8,800	
Idaho	5.7%>9,346	\$31,500	
Wyoming	None		
South Dakota	None		
Indiana ^v	3%>0		\$2,000
Rhode Island	3.8%>0; 4.75%>70,900; 5.99%>181,650	\$21,800	\$10,200
Federal	10%>0; 12%>23,850; 22%>96,950; 24%>206,700; 32%>394,600; 35%>501,050; 37%>751,600	\$31,500	

Appendix 5

Analyzed Tax Rates:
Income and
Franchise Taxes

Appendix 5

Analyzed Tax Rates: Income and Franchise Taxes

Sources:

1) For U.S. states - YUSHKOV, Andrey and Katherine LOUGHEAD, State Individual Income Tax Rates and Brackets, Tax Foundation. Accessed February 2025.

<https://taxfoundation.org/data/all/state/state-income-tax-rates/>

2) For U.S. Federal Government - DURANTE, Alex, 2025 Tax Brackets, Tax Foundation. Accessed February 2025. <https://taxfoundation.org/data/all/federal/2025-tax-brackets/>

Notes:

1) Some U.S. cities also levy income taxes. These were factored into the overall calculation and included under additional local taxes. See Appendix 8 for more details.

2) Specifics for certain states use 2024 thresholds due to a lack of availability for the inflation-adjusted 2025 amounts, so the actual taxes paid will be lower for the following states: California (standard deduction/personal exemption also uses the 2024 number), Idaho, North Dakota, Vermont.

3) Recent U.S. legislation increased the federal standard deduction to \$31,500 from \$30,000. As a result, Montana, North Dakota, Maine, and Idaho also see their state deductions increase because they are linked to the federal amount.

Personal income tax brackets were also used to calculate the total tax burden for U.S. sole proprietors. When assessing income taxes, we assume business shareholders are full-time business owners and are not receiving income from any source other than their business.

Since business income is being taxed via the same channels as personal income, it can be reduced through many of the same tax benefits. For this comparison, we assume business owners only use deductions that are universally available to all pass-through businesses. These businesses are taxed on their net income through the personal income tax returns of their owners (e.g., S corporations and sole proprietorships). This includes the federal standard deduction, which works in a similar way to Canada's basic personal amount and allows income earners to lower their taxable income. Additionally, a specific federal deduction is available for pass-through business income. The Qualified Business Income (QBI) deduction allows business owners to subtract 20% of business income they earn from the federal income tax return after the standard deduction has been applied.^{vi,vii} Many states have their own standard deductions and personal exemptions. The latter usually functions similarly to a standard deduction and was accounted for, assuming the business owner has no children, as that could increase the exemption amount.

Canadian personal income taxes

Canadian personal income taxes were used to calculate the tax burden for sole proprietors, which unlike incorporated businesses in Canada, see their net income taxed through the individual personal income taxes of their owner (see Table 9). As is the case of U.S. personal income taxes, we assume business shareholders are full-time business owners and are not receiving income from any source other than their business. The basic personal amount reduces taxes payable by functioning as a tax credit, calculated by multiplying the amount by the lowest income tax rate for each jurisdiction.

Table 9
Applicable personal income taxes and corresponding rates, 2025, by Canadian jurisdiction

Province	Specifics (thresholds given as \$ amounts)	Basic Personal Amount
British Columbia	5.06%>0; 7.7%>49,279; 10.5%>98,560; 12.29%>113,158; 14.7%>137,407; 16.8%>186,306; 20.5%>259,829	\$12,932
Alberta	10%>0; 12%>151,234; 13%>181,481; 14%>241,974; 15%>362,961	\$22,323
Saskatchewan	10.5%>0; 12.5%>53,463; 14.5%>152,750	\$18,991
Manitoba	10.8%>0; 12.75%>47,564; 17.4%>101,200	\$15,969
Ontario	5.05%>0; 9.15%>52,886; 11.16%>105,775; 12.16%>150,000; 13.16%>220,000	\$12,747
Quebec	14%>0; 19%>53,255; 24%>106,495; 25.75%>129,590	\$18,056
New Brunswick	9.4%>0; 14%>51,306; 16%>102,614; 19.5%>190,060	\$13,396
Nova Scotia	8.79%>0; 14.95%>30,507; 16.67%>61,015; 17.5%>95,883; 21%>154,650	\$11,744
Prince Edward Island	9.5%>0; 13.47%>33,328; 16.6%>64,656; 17.62%>105,000; 19%>140,000	\$14,250
Newfoundland and Labrador	8.7%>0; 14.5%>44,192; 15.8%>88,382; 17.8%>157,792; 19.8%>220,910; 20.8%>282,214; 21.3%>564,429; 21.8%>1,128,858	\$11,067
Federal	15%>0; 20.5%>57,375; 26%>114,750; 29%>177,882; 33%>253,414	\$16,129

Sources:

1) For tax rates and brackets (other than Quebec) - Government of Canada, Tax rates and income brackets for individuals. Accessed April 2025. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questions-individuals/canadian-income-tax-rates-individuals-current-previous-years.html>

2) For tax rates and brackets (for Quebec) - Revenu Québec, Income Tax Rates. Accessed April 2025. <https://www.revenuquebec.ca/en/citizens/income-tax-return/completing-your-income-tax-return/income-tax-rates/>

3) For provincial basic personal amounts - Canadian Federation of Independent Business (CFIB), Payroll Deduction Tables - 2025. Accessed April 2025. <https://www.cfib-fcei.ca/en/tools-resources/payroll-deduction-tables>

4) For federal basic personal amount - Government of Canada, Payroll Deductions Tables - CPP, EI, and income tax deductions - In Canada beyond the limits of any province/territory or outside Canada. Accessed April 2025. <https://www.canada.ca/en/revenue-agency/services/forms-publications/payroll/t4032-payroll-deductions-tables/t4032oc-jan/t4032oc-january-general-information.html>

Appendix 5

Analyzed Tax Rates:
Income and
Franchise Taxes

U.S. franchise taxes

Many U.S. states impose some form of franchise tax on S corporations, particularly those without any personal or corporate income tax. These taxes are often levied on business revenues but can also be based on net business income or be applied as a flat fee. Since the tax is being levied on the business itself rather than its owners, it is a business expense and serves to lower net income before it is taxed through the personal income taxes of the business’s shareholders. To incorporate franchise taxes on revenues into the overall comparison, a fixed revenue amount was calculated.^{viii} Most do not apply to sole proprietors.

Table 10
Franchise taxes, 2025, by state

State	Specifics	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden	Analyzed Unincorporated Business Tax Burden
California	Tax rate of 1.5% on business net income or a minimum fee of \$800, whichever is higher	Link Link	\$1,750	\$11,843	\$0
Texas	A tax on revenues, with businesses making \$2.47 million or less in revenues exempt from the tax. If revenues are above this threshold but below \$20 million, a variety of different options are available to calculate taxable income, subject to a 0.331% rate. ^{ix} Revenues in excess of \$20 million are taxed at 0.75% (0.375% if business is in retail/wholesale industry) without any variation in taxable income	Link Link	\$0	\$16,833	\$0
New York	A fixed dollar tax, whereby a flat fee is imposed for different ranges of revenues	Link Link	\$1,000	\$3,000	\$0
Illinois	Tax rate of 1.5% on business net income	Link	\$1,605	\$10,864	\$0
Vermont	A flat fee of \$250	Link	\$250	\$250	\$0
Minnesota	A fixed dollar tax, whereby a flat fee is imposed for different ranges of the sum total of property value, payroll cost, and revenue	Link	\$260	\$750	\$0
Washington	A variable tax rate based on industry and imposed on total revenues ^x	Link Link	\$5,117	\$34,219	\$2,309
Ohio	0.26% tax rate imposed on revenues above \$6 million	Link	\$0	\$3,290	\$0
Massachusetts	A tax rate of 2% on net income if revenues are above \$6 million and 3% on net income if revenues are above \$9 million. An additional tax of \$4.56 per \$1,000 of tangible property or net worth is imposed. ^{xi} A minimum payment of \$456 is required if these measures cost less than that.	Link	\$1,755	\$26,917	\$0
Rhode Island	A flat fee of \$400	Link	\$400	\$400	\$0

Appendix 5
Analyzed tax rates:
Income and
Franchise taxes

Notes:

- 1) Some U.S. cities also levy franchise taxes. These were factored into the overall calculation and included under additional local taxes. See Appendix 8.
- 2) Some U.S. states impose separate franchise taxes on banks and other financial institutions which are not included in this analysis.
- 3) Sources were accessed in February 2025.

In contrast to taxes on payroll, property, and revenues, which are based on a fixed amount (see Appendix 3 in main report document), income taxes are based on net income which varies by jurisdiction in this analysis (see Table 11). This non-uniformity is due to the fact that net income is determined after subtracting taxes that act as businesses expenses from pre-tax net income. Since the amount of business expenses (payroll, property, and franchise taxes) differs based on the jurisdiction, the amount of taxable net income will be larger for jurisdictions with less burdensome taxes in other categories. While some U.S. states base their franchise taxes on net income, these taxes apply to the business's net income before it is passed through to individual shareholders. In those states, the figures below reflect the net income that would be passed on to shareholders after accounting for those franchise taxes. The scenario excluding location-based taxation would generally result in higher net income numbers for the analyzed micro- and small businesses (not shown), as there are fewer business expenses reducing taxable income.

Appendix 5

Analyzed Tax Rates: Income and Franchise Taxes

Table 11
Net income subject to income tax by jurisdiction

Province/State	Microbusiness	Small Business	Unincorporated Business
British Columbia	\$117,973	\$762,053	\$50,000
Alberta	\$113,571	\$768,225	\$50,000
Saskatchewan	\$116,132	\$785,143	\$50,000
Manitoba	\$114,353	\$772,879	\$50,000
Ontario	\$115,159	\$752,183	\$50,000
Quebec	\$104,305	\$685,414	\$50,000
New Brunswick	\$105,535	\$714,273	\$50,000
Nova Scotia	\$105,353	\$710,154	\$50,000
Prince Edward Island	\$106,492	\$720,840	\$50,000
Newfoundland and Labrador	\$109,182	\$739,354	\$50,000
California	\$113,551	\$768,435	\$49,377
Texas	\$116,567	\$770,469	\$50,000
Florida	\$118,100	\$790,528	\$50,000
New York	\$104,525	\$700,095	\$48,000
Pennsylvania	\$109,302	\$715,906	\$44,526
Montana	\$117,555	\$795,744	\$50,000
Michigan	\$107,322	\$707,771	\$50,000
Illinois	\$105,369	\$713,435	\$50,000
North Dakota	\$118,387	\$800,317	\$50,000
Vermont	\$111,203	\$729,652	\$50,000
Maine	\$116,750	\$780,453	\$50,000
Minnesota	\$116,012	\$761,310	\$50,000
Washington	\$109,408	\$741,531	\$46,603
Ohio	\$113,247	\$761,953	\$50,000
Massachusetts	\$112,050	\$733,952	\$50,000
Idaho	\$118,001	\$798,599	\$50,000
Wyoming	\$118,379	\$801,243	\$50,000
South Dakota	\$118,894	\$803,363	\$50,000
Indiana	\$115,815	\$768,538	\$50,000
Rhode Island	\$110,817	\$732,692	\$50,000

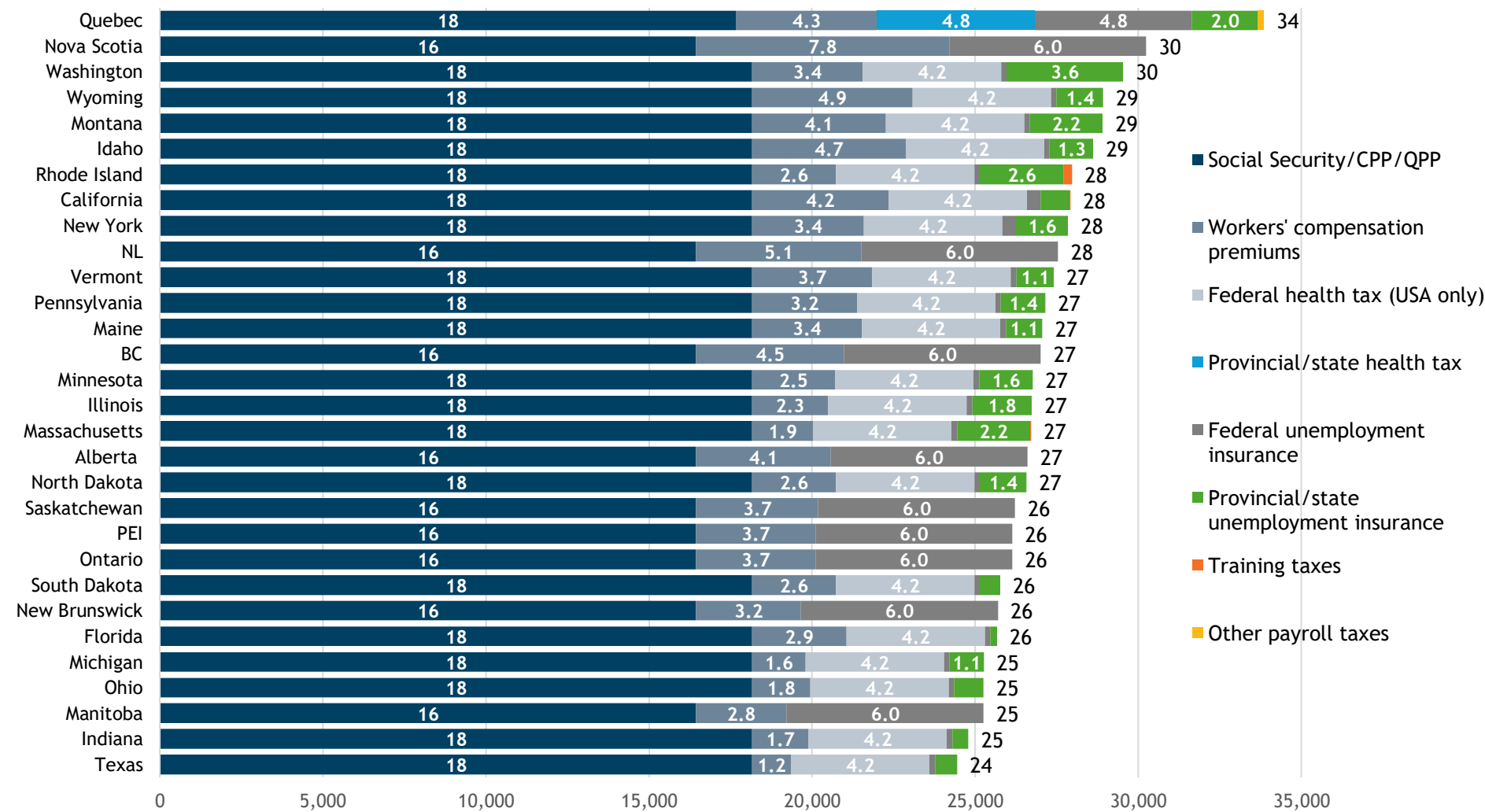
Source: CFIB analysis of government tax rates and thresholds, own calculations.

Appendix 5

Analyzed Tax Rates:
Income and
Franchise Taxes

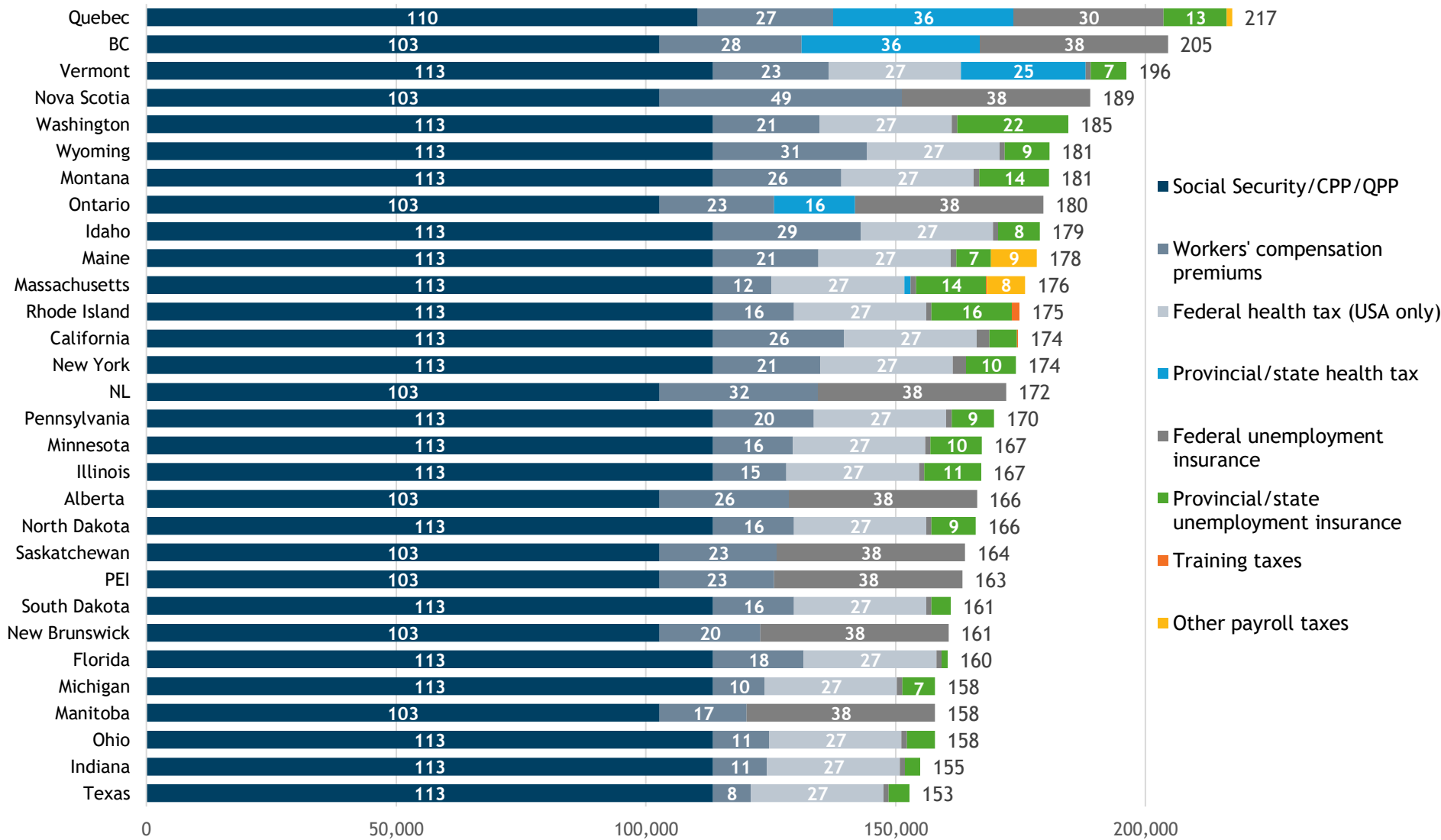
Calculations for all types of payroll taxes are based on an equal number of employees across all assessed jurisdictions, earning an identical hourly wage (see Appendix 3 in main report document). A breakdown of total payroll taxes paid per analyzed jurisdiction by type of payroll tax is provided below (see Figures 22 & 23), followed by individual overviews of each category.

Figure 22
BREAKDOWN OF PAYROLL TAXES PAID BY TYPE FOR ANALYZED MICROBUSINESS (THOUSANDS OF DOLLARS, CATEGORIES ROUNDED)



Appendix 6
Analyzed Tax Rates:
Payroll Taxes

Figure 23
BREAKDOWN OF PAYROLL TAXES PAID BY ANALYZED SMALL BUSINESS (THOUSANDS OF DOLLARS, CATEGORIES ROUNDED)



Appendix 6
Analyzed Tax Rates:
Payroll Taxes

Social insurance

Both Canada and the U.S. provide a federal insurance program paid by both employers and employees to fund retirement savings for workers (see Table 12). Quebec imposes and administers its own pension plan, while all other provinces participate in the Canada Pension Plan (CPP).

Table 12

Social insurance taxes by analyzed jurisdiction

System	Specifics	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
Canada Pension Plan (CPP)	5.95% tax levied on wages above the \$3,500 basic exemption amount but below \$71,300; wages between \$71,300 and \$81,200 are taxed at a lower 4% rate	\$16,443	\$102,769
Quebec Pension Plan (QPP)	6.4% tax levied on wages above the \$3,500 basic exemption amount but below \$71,300; wages between \$71,300 and \$81,200 are taxed at a lower 4% rate	\$17,663	\$110,396
Social Security (U.S.)	6.2% tax levied on all employee wages up to \$176,100	\$18,158	\$113,485

Sources:

- 1) For CPP - Government of Canada, CPP contribution rates, maximums and exemptions. Accessed April 2025. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/canada-pension-plan-cpp/cpp-contribution-rates-maximums-exemptions.html>
- 2) For CPP - Government of Canada, Second additional CPP contribution (CPP2) rates and maximums. Accessed April 2025. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/calculating-deductions/making-deductions/second-additional-cpp-contribution-rates-maximums.html>
- 3) For QPP - Revenu Québec, Maximum Pensionable Earnings And Quebec Pension Plan Contribution Rate. Accessed April 2025. <https://www.revenuquebec.ca/en/businesses/source-deductions-and-employer-contributions/calculating-source-deductions-and-employer-contributions/quebec-pension-plan-contributions/maximum-pensionable-salary-or-wages-and-contribution-rate/>
- 4) For Social Security - Internal Revenue Agency, Publication 15 (2025), Circular E, Employer’s Tax Guide. Accessed April 2025. <https://www.irs.gov/publications/p15>

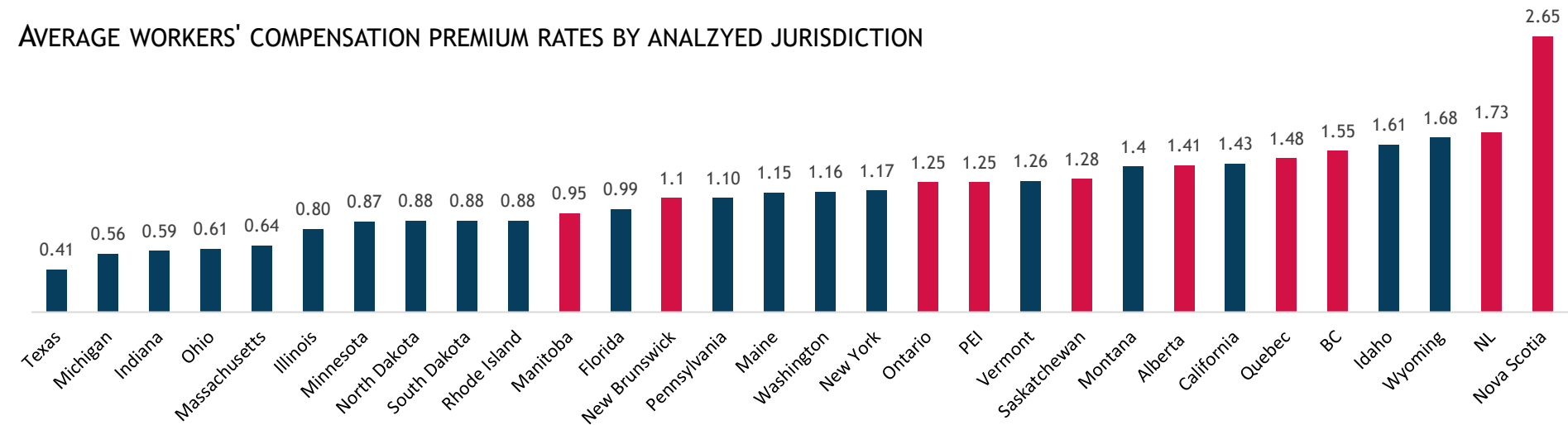
Workers’ compensation premiums

Workers’ compensation premiums are taxes levied on employers to fund insurance for employees to cover the cost of workplace accidents. Premiums differ based on the industry the business operates in, with industries that are determined to be higher risk subject to higher rates. To provide an overall picture of the cost regardless of industry, the average premium rate in each jurisdiction was used (see Figure 24).

Appendix 6
Analyzed Tax Rates:
Payroll Taxes

Figure 24

AVERAGE WORKERS' COMPENSATION PREMIUM RATES BY ANALYZED JURISDICTION



Sources:

- 1) For Canadian provinces - Association of Workers’ Compensation Boards of Canada, Provisional Average Assessment Rates. Accessed February 2025. <https://awcbc.org/data-and-statistics/assessments-and-premiums/provisional-average-assessment-rates>
- 2) For U.S. states - National Academy of Social Insurance, Workers’ Compensation Benefits, Costs, and Coverage - 2022 Data. Accessed February 2025. <https://www.nasi.org/research/workers-compensation/workers-compensation-benefits-costs-and-coverage-2022-data/>

Health/Education taxes

Five provincial governments levy some of kind of employer health or education tax on businesses operating in their province (see Table 13). British Columbia, Ontario, and Quebec use these revenues to help fund their healthcare systems, while Newfoundland and Labrador and Manitoba also use them to fund post-secondary education. Of the five systems, Quebec’s is the most burdensome because it lacks an exemption threshold which other provinces provide. Manitoba and Newfoundland and Labrador’s systems were assessed, but the threshold is high enough that neither analyzed business size is affected.

Table 13
Employer health/education taxes, 2025, by province

Province	Specifics	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
British Columbia	5.85% tax levied on business remuneration above \$1 million but below \$1.5 million; businesses with payroll in excess of \$1.5 million pay 1.5% on total remuneration	Link	\$0	\$35,693
Alberta	None			
Saskatchewan	None			
Manitoba	4.3% tax levied on business remuneration above \$2.25 million but below \$4.5 million; businesses with payroll in excess of \$4.5 million pay 2.15% on all remuneration	Link	\$0	\$0
Ontario	Generally, a tax rate of 1.95% levied on business remuneration above \$1 million but below \$5 million. Businesses with total payroll in excess of \$5 million pay 1.95% on the entirety of business remuneration	Link	\$0	\$16,193
Quebec	1.65% tax on total remuneration for businesses with total payroll of less than \$1 million; 4.26% tax on total remuneration for businesses with total payroll of more than \$7.8 million; the tax rate increases gradually for employers with remuneration between \$1 million and \$7.8 million at a rate of: $1.2662 + (0.3838 \times \text{payroll} / \$1 \text{ million}) = X$, applied as a percent	Link	\$4,832	\$36,035
New Brunswick	None			
Nova Scotia	None			
Prince Edward Island	None			
Newfoundland and Labrador	2% tax levied on total remuneration for employers with total remuneration exceeding \$2 million	Link	\$0	\$0

While not directly comparable, two analyzed U.S. states also possess some form of health tax levied on employers. These are also included in this analysis. As part of its Employer Medical Assistance Contribution, Massachusetts imposes a 0.34% tax on the first \$15,000 of each worker’s wages for businesses with at least six employees.^{xii,xiii} Vermont has a much more burdensome rate of \$296.89 per employee, per quarter, as part of its Health Care Fund Contribution Assessment, with the first four employees of any business being exempt.^{xiv,xv} Neither tax burdens the analyzed microbusinesses owing to their small workforce, with the small businesses paying \$1,275 and \$24,939 respectively. Additionally, businesses in all U.S. states are subject to a federal payroll tax funding Medicare. This 1.45% tax on business wages costs the analyzed microbusinesses in all states \$4,247 and the analyzed small businesses \$26,541.^{xvi}

Appendix 6
Analyzed Tax Rates:
Payroll Taxes

Unemployment insurance

Both Canada and the U.S. have a federal employment insurance program (see Table 14). However, the federal system is significantly more limited in the U.S. because states manage their own systems as well. U.S. federal rates are uniform across all states except California and New York, which face higher rates in 2024 due to outstanding federal loan balances that employers must help repay. Canada’s Employment Insurance (EI) program is also uniform across all provinces, with the exception of Quebec, which has a lower federal rate because it administers its own separate Quebec Parental Insurance Plan (QPIP) system (see Table 15), thereby opting out of the parental and maternity component of the federal system.

Table 14
Applicable federal employment insurance systems and corresponding rates, 2025/2024^{xvii}

System	Rate	Maximum Insurable Earnings (Threshold)	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
Canada Employment Insurance (excl. Quebec)	2.296%	\$65,700	\$6,034	\$37,712
Canada Employment Insurance (for Quebec)	1.834%	\$65,700	\$4,820	\$30,123
U.S. Federal Unemployment Tax (excl. California & New York)	0.6%	\$7,000	\$168	\$1,050
U.S. Federal Unemployment Tax (for California & New York)	1.5%	\$7,000	\$420	\$2,625

Sources:
1) For Canada Employment Insurance (EI) - Government of Canada, EI premium rates and maximums. Accessed April 2025. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/employment-insurance-ei/ei-premium-rates-maximums.html>
2) For U.S. Federal Unemployment Tax - United States Department of Labor, FUTA Credit Reductions. Accessed April 2025. https://oui.doleta.gov/unemploy/futa_credit.asp

Similarly to Quebec, each U.S. state administers its own employment insurance system (see Table 15). Rates and thresholds vary between jurisdictions. Rates for each individual state can also vary based on risk and employer merit, so an average for each state was used to provide an overall picture of the cost. Many states levy an additional surcharge which is not captured in the base rate. These additional costs were factored into the calculation.

Table 15
Applicable provincial/state employment insurance systems and corresponding rates, 2025/2024^{xviii}

Province/State	Average Rate	Maximum Insurable Earnings (Threshold)	Additional Surcharges	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
Quebec Parental Insurance Plan	0.69%	\$98,000	None	\$2,027	\$12,666
California	3.14%	\$7,000	0.1%	\$879	\$5,495
Texas	1.77%	\$9,000	None	\$673	\$4,208
Florida	0.7%	\$7,000	0.2%	\$196	\$1,225
New York	3%	\$12,500	None	\$1,598	\$9,984
Pennsylvania	3.4%	\$10,000	None	\$1,360	\$8,500
Montana	1.14%	\$43,000	0.16%	\$2,236	\$13,975
Michigan	2.77%	\$9,500	None	\$1,053	\$6,579
Illinois	2.8%	\$13,590	0.55%	\$1,821	\$11,382
North Dakota	0.81%	\$43,800	None	\$1,419	\$8,870
Vermont	2%	\$14,300	None	\$1,144	\$7,150
Maine	2.03%	\$12,000	0.3%	\$1,118	\$6,990
Minnesota	0.88%	\$42,000	0.1%	\$1,646	\$10,290
Washington	1.27%	\$68,500	0.03%	\$3,562	\$22,263
Ohio	2.5%	\$9,000	None	\$900	\$5,625
Massachusetts	3.73%	\$15,000	None	\$2,238	\$13,988
Idaho	0.6%	\$53,500	0.02%	\$1,332	\$8,326
Wyoming	1.1%	\$30,900	0.06%	\$1,434	\$8,961
South Dakota	0.73%	\$15,000	0.295%	\$615	\$3,844
Indiana	1.3%	\$9,500	None	\$494	\$3,088
Rhode Island	2.2%	\$29,200	None	\$2,570	\$16,060

Sources:

- 1) For Quebec Parental Insurance Plan (QPIP) - Revenu Québec, Maximum Insurable Earnings and the Quebec Parental Insurance Plan Premium Rate. Accessed February 2025. <https://www.revenuquebec.ca/en/businesses/source-deductions-and-employer-contributions/calculating-source-deductions-and-employer-contributions/quebec-parental-insurance-plan-premiums/maximum-insurable-earnings-and-premium-rate/>
- 2) For all State Unemployment Taxes - United States Department of Labor, Average Employer Contribution Rates by State. Accessed February 2025. https://oui.doleta.gov/unemploy/avg_employ.asp
- 3) For additional surcharges on State Unemployment Taxes - Ernst & Young, State unemployment insurance wage bases and tax rates for 2025 (preliminary as of January 25, 2025). Accessed February 2025. <https://taxnews.ey.com/news/2025-0392-state-unemployment-insurance-wage-bases-and-tax-rates-for-2025-preliminary-as-of-january-25-2025>

Note: Some rates that are listed as surcharges are considered separate training taxes and are categorized as such for the purposes of this report (see Table 15).

Appendix 6

Analyzed Tax Rates:
Payroll Taxes

Training taxes

Three U.S. states and Quebec impose some form of training tax on employers to fund workforce development programs (see Table 16).

Table 16
Training taxes by analyzed jurisdiction

Province/State	Specifics	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
Quebec Workforce Skills Development and Recognition Fund	1% tax on total payroll for businesses with total payroll of over \$2 million	Link	\$0	\$0
California Employment Training Tax	0.1% tax on the first \$7,000 of each employee’s wages	Link	\$28	\$175
Massachusetts Workforce Training Fund	0.056% tax on the first \$15,000 of each employee’s wages	Link	\$34	\$210
Rhode Island Job Development Fund	0.21% tax on the first \$29,800 of each employee’s wages ^{xix}	Link	\$250	\$1,565

Note: Sources were accessed in February 2025.

Appendix 6
Analyzed Tax Rates:
Payroll Taxes

Appendix 6

Analyzed Tax Rates:
Payroll Taxes

Other payroll taxes

Quebec has one additional tax: the Contribution Related to Labour Standards.^{xx} At a rate of 0.06% of total remuneration, this tax costs the microbusiness \$176 and the small business \$1,098. Additionally, Vermont has a 0.33% child care contribution tax levied on total remuneration which costs the analyzed microbusiness \$966 and the small business \$6,040.^{xxi,xxii} Lastly, three U.S. states impose some kind of mandatory Paid Family and Medical Leave taxes on employers (see Table 17).^{xxiii}

Table 17
Paid family and medical leave taxes by analyzed jurisdiction

State	Specifics	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
Maine	0.5% tax on total wages if business has more than 14 employees	Link	\$0	\$9,152
Washington	0.92% tax on wages up to \$176,100 per employee if business has more than 49 employees	Link	\$0	\$0
Massachusetts	0.42% tax on total wages if business has more than 24 employees	Link	\$0	\$7,688

Note: Sources were accessed in February 2025.

Appendix 7

Analyzed Tax Rates:
Property Taxes

Property taxes

When comparing jurisdictions, we use a flat property value to calculate property taxes paid. Caution should be used when interpreting these results as property tax burdens heavily depend on the real estate market in each jurisdiction. Areas with more expensive real estate often have lower property tax rates, since a higher rate is not necessary to raise a certain amount of revenue as it is in areas with lower property values. The ideal approach, assessing each municipality based on the average commercial or non-residential property value within its jurisdiction, is not possible due to a lack of available data.

While some jurisdictions—such as Alberta—tax all non-residential properties at the same rate, others differentiate among them. For example, British Columbia makes a distinction between commercial and industrial property taxes. In these cases, the default commercial property tax rate was always considered. Property tax rates are usually given as a mill rate: representing a \$ rate per \$1,000 in property assessment. For simplicity, this rate was converted to a percentage by dividing the mill rate by 1,000. Some jurisdictions implement an assessment ratio, making the taxable base of a specific property a fraction of its actual value (e.g., 65% for Winnipeg, Manitoba). These were accounted for when calculating property taxes paid but make simply comparing property tax rates misleading. We compared the largest cities in every province/state when assessing municipal property taxes.

Canadian municipal property taxes

Table 18
Applicable municipal property taxes and corresponding rates, 2025/2024, by assessed municipality

Province	Total Municipal Tax Rate	Assessment Ratio	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
Vancouver, BC	0.75%	100%	Link	\$3,353	\$22,353
Calgary, AB	1.80%	100%	Link	\$8,088	\$53,919
Saskatoon, SK	1.36%	85%	Link	\$5,206	\$34,704
Winnipeg, MB ^{xxiv}	2.73%	65%	Link	\$7,980	\$53,200
Toronto, ON ^{xxv}	1.19%/1.4%	100%	Link	\$5,338	\$41,864
Montréal, QC ^{xxvi,xxvii,xxviii}	Varies	100%	Link	\$11,484	\$94,671
Moncton, NB	2.31%	100%	Link	\$10,415	\$69,432
Halifax, NS ^{xxix}	2.9%/3.06%	100%	Link	\$13,037	\$91,710
Charlottetown, PEI	2.36%	100%	Link	\$10,620	\$70,800
St. John’s, NL	2.95%	100%	Link	\$13,275	\$88,500

Appendix 7

Analyzed Tax Rates:
Property Taxes

- Notes:
- (1) Sources were accessed in July 2025.
 - (2) Commercial properties in Toronto, ON; Montréal, QC; Halifax, NS; Jacksonville, FL; Philadelphia, PA; Billings, MT; Detroit, MI; Indianapolis, IN; Providence, RI; and Minneapolis, MN pay a variable rate, meaning the effective property tax rate can fluctuate depending on the assessed property value.

Every Canadian city assessed levies property taxes on commercial properties, with most using a flat tax rate (see Table 18). Some cities offer variable rates based on a variety of factors. This was accounted for when calculating the total cost burden.

Canadian provincial property taxes

All provinces other than Newfoundland and Labrador levy some form of provincial property tax (see Table 19).

Table 19
Applicable provincial property taxes and corresponding rates, 2025/2024, by province

Province	Provincial Tax Rate	Assessment Ratio	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden
British Columbia	0.37%	100%	Link	\$1,657	\$11,050
Alberta	0.39%	100%	Link	\$1,735	\$11,567
Saskatchewan	0.64%	85%	Link	\$2,437	\$16,244
Manitoba	0.82%	65%	Link	\$2,408	\$16,052
Ontario ^{xxx}	0.75%/0.88%	100%	Link	\$3,366	\$26,400
Quebec ^{xxxi}	0.08%	Varies	Link	\$358	\$2,506
New Brunswick	1.86%	100%	Link	\$8,352	\$55,680
Nova Scotia	0.31%	100%	Link	\$1,373	\$9,150
Prince Edward Island	1.5%	100%	Link	\$6,750	\$45,000
Newfoundland and Labrador	None				

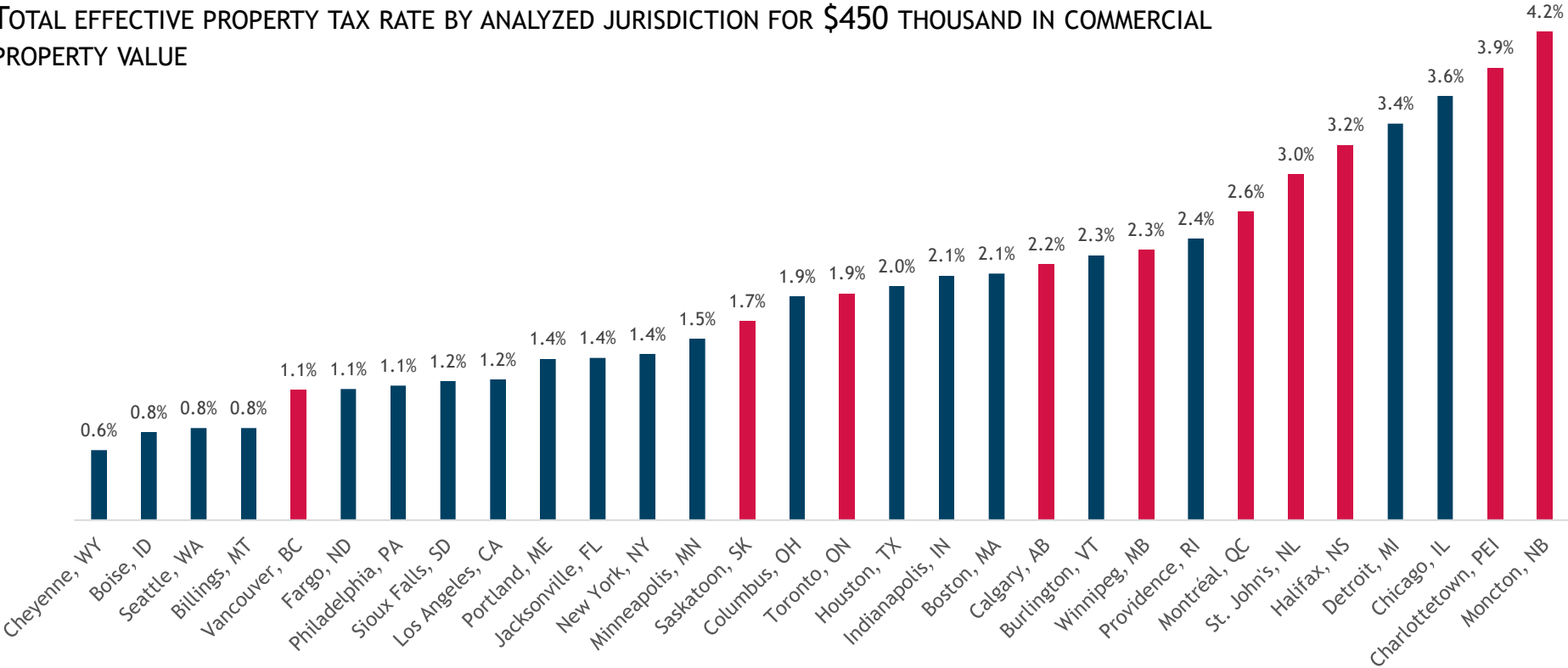
- Notes:
- (1) Sources were accessed in July 2025.
 - (2) Commercial properties in Ontario pay a variable rate, meaning the effective property tax rate can fluctuate depending on the assessed property value.

Combined effective property tax rates

While the combined effective property tax rates for U.S. municipalities were given, the combined effective property tax rate for Canadian municipalities was calculated by dividing total property taxes paid by the assessed property value.^{xxxii} The combined effective property tax rate is generally lower for the analyzed microbusiness (see Figure 25) than the analyzed small business (see Figure 26) due to variable rates.

Figure 25

TOTAL EFFECTIVE PROPERTY TAX RATE BY ANALYZED JURISDICTION FOR \$450 THOUSAND IN COMMERCIAL PROPERTY VALUE



Sources:

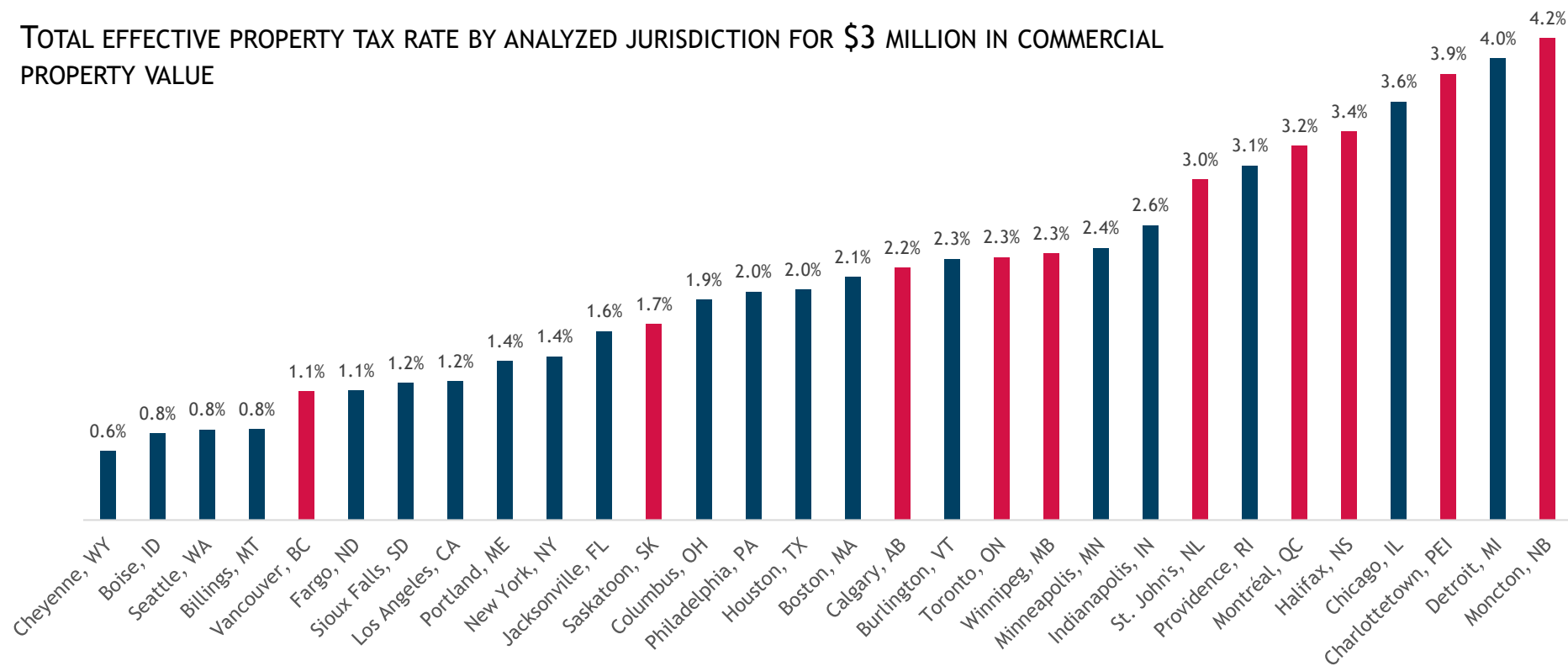
- 1) For Canadian provinces - See Tables 18 & 19
- 2) For U.S. states - Lincoln Institute of Land Policy, 50-State Property Tax Comparison Study for Taxes Paid in 2024. Accessed July 2025. <https://www.lincolnst.edu/publications/other/50-state-property-tax-comparison-study-2024>

Note: Commercial properties in Toronto, ON; Montréal, QC; Halifax, NS; Jacksonville, FL; Philadelphia, PA; Billings, MT; Detroit, MI; Indianapolis, IN; Providence, RI; and Minneapolis, MN pay a variable rate, meaning the effective property tax rate can fluctuate depending on the assessed property value.

Appendix 7
Analyzed Tax Rates:
Property Taxes

Figure 26

TOTAL EFFECTIVE PROPERTY TAX RATE BY ANALYZED JURISDICTION FOR \$3 MILLION IN COMMERCIAL PROPERTY VALUE



Sources:

- 1) For Canadian provinces - See Tables 18 & 19
- 2) For U.S. states - Lincoln Institute of Land Policy, 50-State Property Tax Comparison Study for Taxes Paid in 2024. Accessed July 2025. <https://www.lincolninst.edu/publications/other/50-state-property-tax-comparison-study-2024>

Note: Commercial properties in Toronto, ON; Montréal, QC; Halifax, NS; Jacksonville, FL; Philadelphia, PA; Billings, MT; Detroit, MI; Indianapolis, IN; Providence, RI; and Minneapolis, MN pay a variable rate, meaning the effective property tax rate can fluctuate depending on the assessed property value.

Appendix 7
Analyzed Tax Rates:
Property Taxes

Many U.S. municipalities impose additional taxes on businesses that are not generally found in Canadian municipalities and mostly act as franchise taxes (see Table 20). Unlike most state-level franchise taxes, many are applied to both unincorporated and incorporated businesses, sometimes at different rates. The costs of these taxes were factored into the overall comparison. Since these taxes are levied on the business rather than the individual owners, with the exception of Indiana’s county income tax, they are deducted from pre-tax net income before being subject to U.S. personal income taxes, similar to state-level franchise and payroll taxes. Since these franchise taxes are generally applied to the portion of business activity (e.g., net income, revenues) allocated to the municipality and often vary based on whether business owners are residents of the municipality, we assume that all business activity occurs within the analyzed municipalities and that all business owners are residents.

Table 20
Additional local taxes by assessed jurisdiction

City, State	Specifics	Source	Analyzed Microbusiness Tax Burden	Analyzed Small Business Tax Burden	Analyzed Unincorporated Business Tax Burden
Los Angeles, CA	A franchise tax of 0.13% of total revenues applies to businesses with revenues above \$100,000	Link	\$1,380	\$9,227	\$623
New York City, NY	1) For incorporated businesses, a franchise tax based on four different methods of calculation is levied, with businesses having to pay the highest; a tax of 8.85% on net income yielded the highest tax burden in our scenarios	1) Link	1) \$10,246	1) \$69,332	1) \$0
	2) Payroll tax with varying rates depending on the size of businesses’ payroll expenses in two areas of the state, applying to businesses with over \$312,500 in cumulative payroll expenses across both areas ^{xxxiii,xxxiv}	2) Link	2) \$0	2) \$10,982	2) \$0
		3) Link	3) \$0	3) \$0	3) \$2,000
	3) For unincorporated businesses, a tax of 4% on net income is levied				
Philadelphia, PA	1) A franchise tax composed of two rates: a 0.415% tax on revenues and a 5.81% tax on net income	1) Link	1) \$8,374	1) \$55,074	1) \$0
	2) In addition to (1), sole proprietors must pay an additional tax of 3.75% on net income	2) Link	2) \$0	2) \$0	2) \$5,474 total
Detroit, MI	1) 2% franchise tax on net income	1) Link	1) \$2,190	1) \$14,444	1) \$0
	2) 2.4% personal income tax on the personal income of business shareholders ^{xxxv}	2) Link	2) \$2,518	2) \$16,756	2) \$1,171

Appendix 8

Analyzed Tax Rates:
Additional Local
Taxes

Seattle, WA	1) Franchise tax of 0.222% of total revenues applies to businesses with revenues above \$100,000 2) Payroll tax with varying rates applies to businesses with total Seattle payroll expenses of at least \$8,837,302 and at least one employee earning \$189,989 or more	1) Link 2) Link	1) \$2,412 2) \$0	1) \$16,129 2) \$0	\$1,088 2) \$0
Columbus, OH	1) A franchise tax of 2.5% of net income 2) A personal income tax of 2.5% (income from S corporations is exempt)	1) Link 2) Link	1) \$2,904 2) \$0	1) \$19,622 2) \$0	1) \$0 2) \$1,250
Indianapolis, IN ^{xxxvi}	2.02% personal income tax on the personal income of business shareholders	Link	\$2,259	\$15,201	\$970

Note: Sources were accessed in March 2025.

Appendix 8

Analyzed Tax Rates:
Additional Local
Taxes

Endnotes

ⁱ Ernst & Young, Tax calculators & rates. Accessed May 2025. [EY Tax Calculators & Rates | EY - Canada](#)

ⁱⁱ Internal Revenue Service, SOI tax stats - Integrated business data, Form of business, tax year, 2025. Accessed April 2025. <https://www.irs.gov/statistics/soi-tax-stats-integrated-business-data>

ⁱⁱⁱ California’s personal exemption works differently than in other analyzed states, with the amount reducing taxes payable rather than taxable income. <https://taxfoundation.org/data/all/state/state-income-tax-rates/>

^{iv} Ohio’s taxation of pass-through business income (including S corporations) does not follow the standard personal income tax schedule as it does in other states. A tax of 3% on net income over \$250,000 is levied specifically for pass-through business income. <https://tax.ohio.gov/individual/Business-Income-Deduction>

^v Individual Indiana counties also levy an income tax. These were factored into the overall calculation and included under additional local taxes. See Appendix 8 for more details.

^{vi} Internal Revenue Service, Qualified business income deduction. Accessed May 2025. <https://www.irs.gov/newsroom/qualified-business-income-deduction>

^{vii} The QBI deduction is subject to limitations and begins being phased out once individual income exceeds a certain amount. For individuals filing jointly, this number is \$383,900, which is far above the net income subject to personal income taxes which are calculated in our scenarios. <https://www.congress.gov/crs-product/IF11122>

^{viii} For more details on how revenues were determined, see Appendix 3 in main report document.

^{ix} The option used to calculate taxable income in this situation was multiplying total revenue by 70%, yielding the lowest of the four options provided for Texas’ franchise tax.

^x For Washington’s franchise tax, the 0.34% retail rate was used.

^{xi} Net worth/tangible property was assumed to be equal to property value + (50% x property value) for Massachusetts’ franchise tax.

About CFIB

CFIB is a non-partisan organization exclusively representing the interests of 100,000 small and medium-sized businesses in Canada. CFIB’s research capacity is second-to-none because it is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada’s small business community.

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^{xii} Massachusetts Department of Unemployment Insurance, Learn about the Employer Medical Assistance Contribution EMAC. Accessed February 2025. <https://www.mass.gov/info-details/learn-about-the-employer-medical-assistance-contribution-emac>

^{xiii} The Employer Medical Assistance Contribution rate varies based on how long the business has been subject to the tax. For our calculation, we assume that they have been subject to it for over 6 years and are therefore paying the highest tax rate of 0.34%.

^{xiv} Vermont Department of Taxes, How the Assessment is Calculated. Accessed February 2025. <https://tax.vermont.gov/business/hcfca/assessment-calculation>

^{xv} Vermont Department of Taxes, Health Care Contributions Worksheet. Accessed February 2025. <https://tax.vermont.gov/document/2025-form-wht-436-and-form-hc-1>

^{xvi} Internal Revenue Agency, Topic no. 751, Social Security and Medicare withholding rates. Accessed February 2025. <https://www.irs.gov/taxtopics/tc751>

^{xvii} At the time of writing, FUTA credit reductions for 2025 are not yet finalized, so data from 2024 is used.

^{xviii} Rates and thresholds for state unemployment taxes are based on 2024 data, which was the most recent available at the time of consultation and is provided as an estimate.

^{xix} The taxable wage base in Rhode Island is increased to \$31,300 for employers with a higher experience level.

^{xx} Revenu Québec, Contribution Related to Labour Standards. Accessed February 2025. <https://www.revenuquebec.ca/en/businesses/source-deductions-and-employer-contributions/calculating-source-deductions-and-employer-contributions/contribution-related-to-labour-standards/>

^{xxi} Vermont Department of Taxes, Child Care Contribution. Accessed July 2025. <https://tax.vermont.gov/business/child-care-contribution>

^{xxii} The actual tax rate is 0.44% although employers are able to withhold up to 0.11% from employee wages, which we assume they do.

^{xxiii} Minnesota is creating a Paid Family and Medical Leave Tax on employers, but the tax will not be implemented until 2026. <https://mn.gov/deed/paidleave/>

^{xxiv} Winnipeg's total property tax rate depends on which school division the property is located in. For this analysis, we assume it is within the Winnipeg School Division.

^{xxv} Toronto has a small business property subclass that lowers the standard rate by 15% for qualifying properties. Eligibility criteria depend on where the business is located. For the purposes of this calculation, we assume the business is located anywhere in the city, and therefore qualifies if property value is no more than \$1 million.

^{xxvi} Montréal's property tax system has multiple components, some of which have rates that vary based on whether the assessed property is worth more than \$900,000.

^{xxvii} One component of Montréal's property tax system has variable rates depending on if the business property has a meter. For the purposes of this calculation, we assumed the business has a meter and is therefore subject to a slightly lower rate.

^{xxviii} Several components of Montréal's property tax system depend on which borough of the city the business is located in. For the purposes of this calculation, we assumed the business is located in Côte-des-Neiges-Notre-Dame-de-Grâce as this is the most populated borough in the city.

^{xxix} In addition to using a tier system where rates can fluctuate based on property value, Halifax's property taxes also vary based on where the business is located. For our analysis, we assume the business is based in the Downtown/Community Tax Area.

^{xxx} Ontario's education property tax will match the 15% reduction in property taxes for small business properties made by participating municipalities. Since Toronto's municipal property tax rate is reduced (see Table 17), so is Ontario's provincial property tax.

^{xxxi} Quebec's school tax bill has a basic personal amount for property value of \$25,000, with that portion of property not being taxed, which effectively alters the assessment ratio depending on the total value of the assessed property.

^{xxxii} The effective property tax rates provided by the Lincoln Institute of Land Policy correspond with a set of commercial property values that do not exactly line up with the property values established in our scenarios.

Therefore, effective property tax rates for U.S. cities with variable rates are estimates based on the value in the range that is closest to the one established in our scenarios.

^{xxxiii} New York's metropolitan commuter transportation mobility tax (MCTMT) is a state tax but is listed as an additional municipal tax as it only applies to specific zones within the state: (1) New York City and (2) several of the counties that surround it.

^{xxxiv} The tax rates depend on which of the two areas the business allocates payroll expenses to. Since we assume the business is located in New York City, it is subjected to the higher rates of zone 1 although being located in zone 2 would have yielded lower rates.

^{xxxv} A personal exemption available to each shareholder lowers income subject to this tax as it does with state-level income taxes. <https://detroitmi.gov/departments/office-chief-financial-officer/ocfo-divisions/office-treasury/income-tax/income-tax-information>

^{xxxvi} Indiana's assessed local tax is a personal income tax imposed by Marion County, where Indianapolis is located, rather than by the municipality itself.