

Opinion: California is the Most Expensive State to Start a Business

March 22, 2025



A new study found California is the Most Expensive state to start a business in 2025.

An unprecedented 25.6 million Americans have started their own businesses over the last five years, according to the Census Bureau's Business Formation Statistics. Historically, about 20 percent of Businesses fail within the first year but startups in 2025 are facing a unique challenge with higher operating expenses following historic inflation. The economic landscape has changed across the country and choosing a location where wages, rent, utilities and taxes are reasonable could mean the difference between success and failure.

Simplify LLC released a study on the Most and Least Expensive States to start a business in 2025 using the most recent data from the Bureau of Labor Statistics, Federal Reserve of St.Louis, Tax Foundation, Energy Information Administration, and others.

The rankings were determined by analyzing nine key factors such as taxes, business filing fees, commercial rent and utilities, labor costs, regulations and small business lending.

Key findings:

- No.1 California ranks as the most expensive state to start a business. Average wages are \$87,490 (#47) Electricity bills, \$1273.73 (#49), and there are 420,434 regulations in the State (#50). California also has a

relatively high 8.84 percent corporate income tax(#33) and a \$31.78 (#39) rent per square foot. SBA lending hits \$10.2 million per100,000 (#11) and the LLC filing fee is \$70 (#6) but high operating costs still place California last overall.

- 10 Least Expensive: Utah, South Dakota, Colorado, Wyoming, Idaho, Nebraska, Kansas, Nevada and North Dakota.

- Ten Most Expensive: California, New York, Hawaii, Tennessee, Massachusetts, Alabama, New Jersey, DC, Illinois and West Virginia

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