



**THE NELSON A.  
ROCKEFELLER INSTITUTE OF GOVERNMENT**

*The public policy research arm of the State University of New York*



**NEWS**

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## **Softening Third-Quarter Growth in State Taxes, Weak Forecasts for Fiscal 2016 and 2017**

Albany, NY — State tax revenue growth slowed in the third quarter of 2015. Year-over-year growth was a mere 3.8 percent, compared with second quarter growth of 6.9 percent and first quarter growth of 5.1 percent, this according to the just released *State Revenue Report* of the Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York.

According to the study, authored by Rockefeller Institute researchers Lucy Dadayan and Donald J. Boyd, states expect fiscal years 2016 and 2017 to be much weaker than fiscal year 2015. The median forecast for income tax growth in the 36 states for which the Rockefeller Institute was able to gather recent forecasts is 4.6 percent for 2016 and 4.4 percent for 2017, compared to the 7.8 percent actual growth reported for 2015. The median forecast for sales tax growth in the 38 states is 3.5 percent for 2016 and 3.9 percent for 2017, down from actual 2015 growth of 4.5 percent.

Personal income tax revenue growth in the third quarter of 2015 slowed to 6.5 percent on a year-over-year basis, down from 14.4 percent growth in the second quarter of 2015. Thirty-four states reported increases in personal income tax collections, while nine states reported declines. Second-quarter growth had been atypically high, likely reflecting the strong stock market of 2014 and taxpayer response to federal tax rate changes.

Growth was also weak in all other major tax sources: corporate income taxes grew by 1.0 percent, sales taxes 3.2 percent, and motor fuels 5.3 percent.

Preliminary figures for the fourth quarter of 2015 indicate further weakening in state tax collections, at 2.6 percent growth. Personal income tax growth slowed to 4.8 percent and sales tax slowed to 2.0 percent. The weakness in personal income tax collections reflects a sharp slowdown in withholding taxes, as well as in estimated payments in December/January.

Recent fluctuations in the stock market and the significant drop in oil prices cause us concern about state tax collections," according to the report co-authors.

To read the report, go to [www.rockinst.org/pdf/government\\_finance/state\\_revenue\\_report/2016-03-07-SRR\\_102.pdf](http://www.rockinst.org/pdf/government_finance/state_revenue_report/2016-03-07-SRR_102.pdf).

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