Bloomberg BNA

Tax Management
Weekly State Tax Report™

Aging Population Will Lead To Lower State Tax Revenue

By Gerald B. Silverman

March 3, 2017

An aging population in the Northeast will lead to a decline in state personal income and sales tax revenue over the next 20 years, but the decline will be modest, according to a leading expert on state taxes.

Donald Boyd, director of fiscal studies at the Nelson A. Rockefeller Institute of Government, said personal income tax revenue will decline by an estimated 7 percent in hard-hit states over 20 years.

Sales tax revenue will decline by an average of 1.3 percent across all states over 20 years, Boyd said in a Feb. 24 presentation to the National Conference of State Legislatures.

''I wouldn't say don't worry about the tax impact,'' he said. ''But you probably should worry more about other aspects of population aging.''

Retirement, Shifting Spending. The population in New England and Mid-Atlantic states is older than in other states, Boyd said. As a result, personal income tax revenue could be expected to decline because retirement income is usually lower than pre-retirement income, and tax breaks, such as the exclusion of Social Security and pension income, are greater.

States that would be hardest hit by income tax declines are New York, Massachusetts and Connecticut, he said.

Sales tax revenue generally declines among the aging population because of shifting spending patterns, he said.

Boyd said the expected declines aren't that large ''in the scheme of things'' because the changes will happen gradually, and population growth among other demographic groups could offset the declines.

Boyd's presentation is at http://src.bna.com/myh.