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**UNIVERSITY AT ALBANY**  
State University of New York

**HIGHLIGHTS**

- State tax revenues grew by 9.3 percent in the first quarter of 2011, according to Census Bureau data. This is the fifth consecutive quarter that states reported growth in collections on a year-over-year basis. Forty-eight states reported total tax revenue growth during the first quarter, with 21 states showing double-digit growth.
- Despite five consecutive quarters of growth, state tax revenues were still slightly lower in the first quarter of 2011 than in the same quarter of 2008. Fully 29 states reported lower collections in the first quarter of 2011 than three years earlier.
- Both personal income tax and sales tax revenue increased for the fifth quarter in a row, at 12.8 and 6.3 percent, respectively.
- Preliminary figures for April and May 2011 indicate continuing and growing strength in state tax revenues. Overall collections in 45 early-reporting states showed growth of 12.5 percent compared to the same months of 2010, but current economic conditions make it unlikely that such robust gains will continue.
- Local tax revenues declined for the second consecutive quarter, dropping 0.6 percent relative to a year earlier, mostly driven by weakness in property tax collections.

# STATE REVENUE REPORT

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## Robust Revenue Gains Continue in First Quarter and Early Second Quarter

*But Weak Property Tax Drives Local Governments' Collections Down for Second Consecutive Quarter*

Lucy Dadayan

### Overall State Taxes and Local Taxes

Total state tax collections as well as collections from two major sources — taxes on sales and personal income — showed growth for the fifth consecutive quarter, following five straight quarters of decline. Overall state tax revenues in the first quarter of 2011 increased by 9.3 percent from the same quarter of the previous year.

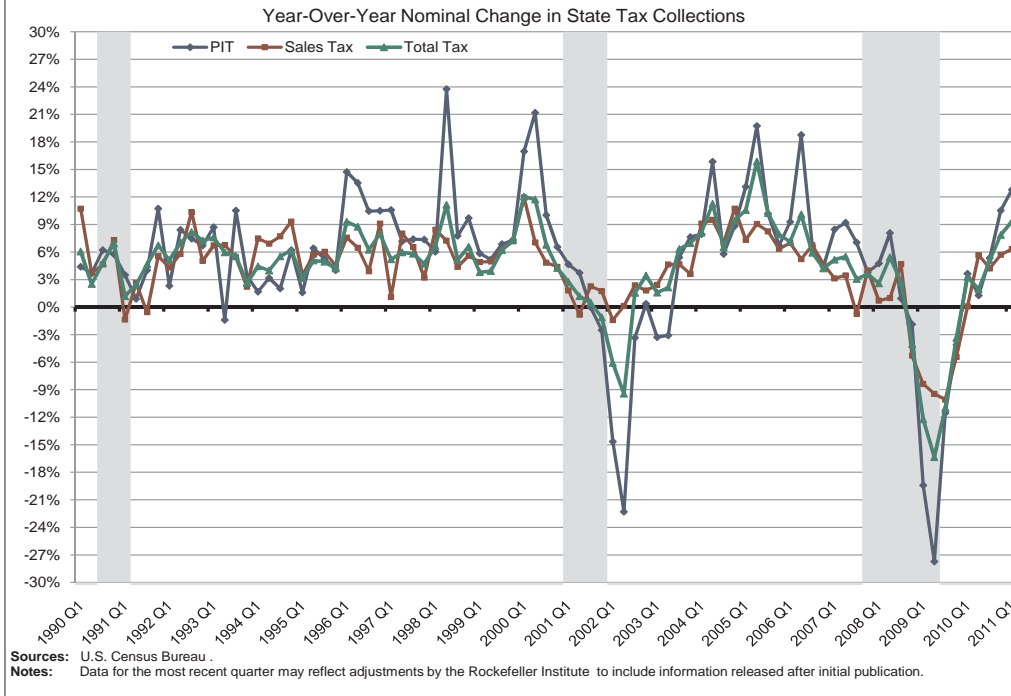
Figure 1 shows the nominal percent change over time in state tax collections for personal income tax, sales tax, and total taxes. As shown there, declines in personal income tax and sales tax collections as well as in overall state tax collections were steeper in and after the 2007 recession than around the previous recessions. Revenues continued rebounding in the first quarter of 2011. Despite gains in the last five quarters, however, collections are still comparatively weak by recent historical standards, 0.9 percent lower in the first quarter of 2011 compared to the same quarter of 2008. The decline is deeper if we adjust the numbers for inflation — 4.7 percent lower than three years ago in real terms.

Figure 2 shows the four-quarter moving average of year-over-year growth in state tax collections and local tax collections, after adjusting for inflation. In addition, we have adjusted the Census Bureau's local tax revenues to reflect the differences between the bureau's prior survey methodology and a revised survey methodology now used for collecting property tax revenues.<sup>1</sup> As shown in Figure 2, the year-over-year change in state taxes, adjusted for inflation, has averaged 4.6 percent over the last four quarters. This represents substantial improvement from the 8.5 percent average decline of a year ago, and the 3.6 percent decline of two years ago.

While state tax collections are steadily improving, the fiscal picture for local governments is quite different. The real, year-over-year decline in local taxes was an average of 0.6 percent over the last four quarters, compared to a 0.4 percent decline for the preceding year and 3.0 percent growth of two years ago. Inflation over the year, as measured by the gross domestic product deflator, was 1.6 percent.

For most of the period during and after the last recession, local tax collections remained relatively strong. However, the trends

Figure 1. State Tax Collections Continue to Rebound



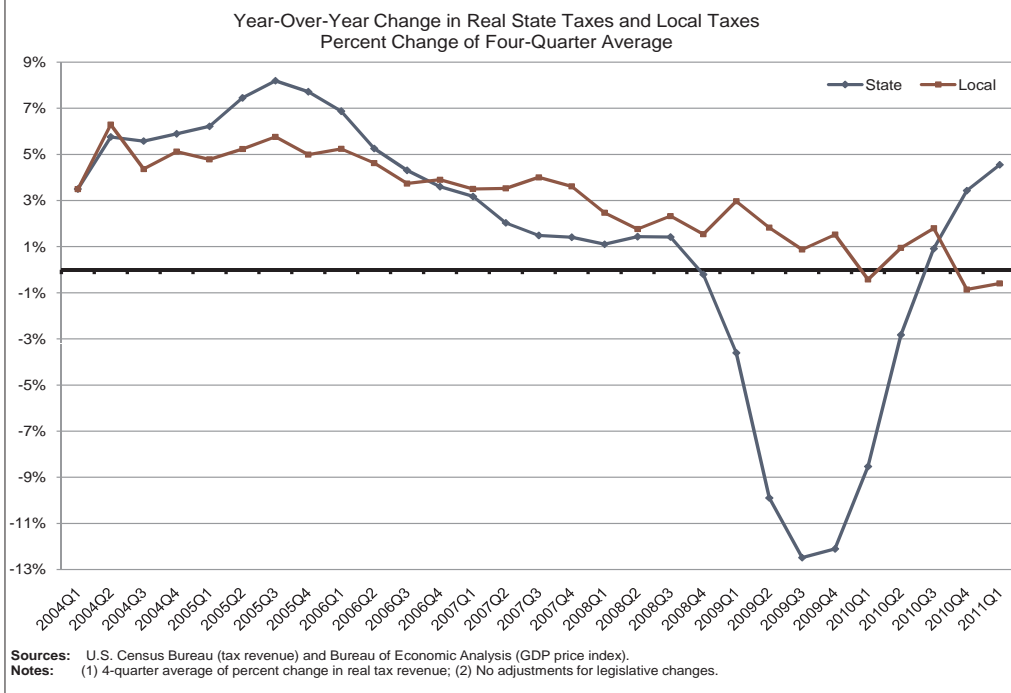
are now shifting due in part to the lagged impact of falling housing prices on property tax collections. The 0.6 percent decline (using the four-quarter moving average) in local tax collections in the first quarter of 2011 is significantly below the rate of inflation and very weak compared to historical averages. The largest year-over-year growth in local tax collections in the most recent history was recorded in the first quarter of 2006 at 5.2 percent.

Most local governments rely heavily on property taxes, which tend to be relatively stable and respond to property value declines more slowly than income, sales, and corporate taxes respond to declines in the overall economy. In the last two decades, property taxes made up at least two-thirds of total local tax collections. Collections from local property taxes made up 77.8 percent of such collections during the first quarter of 2011.

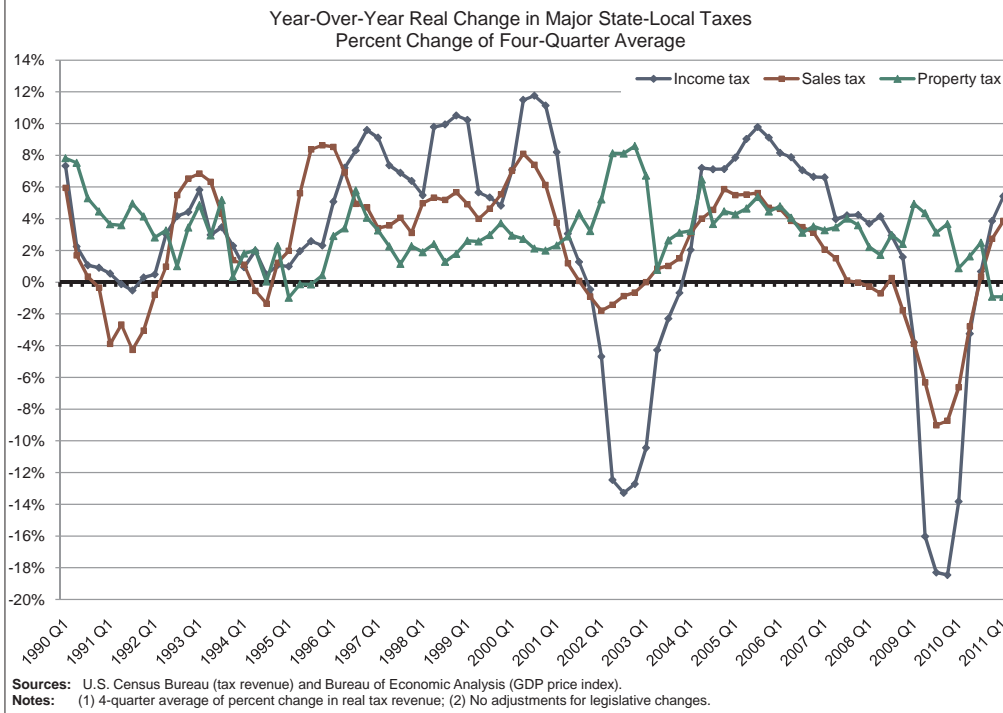
Property tax revenues fell by 1.6 percent in nominal terms, likely driven primarily by falling housing prices. This is the second consecutive quarter that local property tax collections report declines.

Local sales tax collections increased by 4 percent in the first quarter of 2011 in nominal terms. This is the fourth consecutive quarter that local sales tax revenues showed growth, after six consecutive quarters of decline. Collections

Figure 2. State Taxes Are Improving While Local Taxes Are Declining



**Figure 3. Property Tax Continued to Decline for the Second Consecutive Quarter**



from local individual income taxes, a much smaller contributor to overall local revenues, showed an increase of 2.6 percent.

Figure 3 shows the four-quarter average of year-over-year growth in state and local income, sales, and property taxes, adjusted for inflation. Both the income tax and the sales tax showed slower growth, and then outright decline, over most of the last five years. Revenue from the sales tax was particularly weak for most of that period, but has

outpaced income-tax collections from the second quarter of 2009 to the second quarter of 2010. By this measure, both income tax and sales tax continued to show some improvement and showed some growth for the third consecutive quarter. On the other hand, the four-quarter average of year-over-year comparisons showed declines in state-local property real taxes for the second consecutive quarter.

### State Tax Revenue

Total state tax revenue in the first quarter of 2011 increased by 9.3 percent relative to a year ago, before adjustments for inflation and legislated changes. The income tax and sales tax both showed growth at 12.8 and 6.3 percent, respectively, and the corporate income tax increased by 5.1 percent.<sup>2</sup> Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax, respectively. Nearly all the states, 48, reported increases in total tax revenue during the first quarter of 2011. Double-digit increases were reported in 21 states. Only two — Alabama and Hawaii — reported declines in overall tax collections. All regions reported growth in total collections. The Great Lakes region showed the largest gain at 15.6 percent, followed by the Rocky Mountain states at 12.8 percent. The Far West states reported the weakest growth of 5.9 percent. Revenue gains were particularly strong in North Dakota and Idaho, at 46 and 22.7 percent, respectively.

Preliminary figures collected by the Rockefeller Institute for the April-May months of 2011 indicate that most states continue

Table 1. Quarterly State Tax Revenue

Quarter	Adjusted for Inflation		
	Year-Over-Year Percent Change		
	Total Nominal	Inflation Rate	Adjusted Real Change
2011 Q1	9.3	1.6	7.6
2010 Q4	7.9	1.3	6.4
2010 Q3	5.1	1.2	3.9
2010 Q2	1.9	0.8	1.1
2010 Q1	3.3	0.5	2.8
2009 Q4	(3.3)	0.5	(3.8)
2009 Q3	(11.0)	0.2	(11.2)
2009 Q2	(16.3)	1.2	(17.3)
2009 Q1	(12.2)	1.9	(13.8)
2008 Q4	(4.0)	2.1	(6.0)
2008 Q3	2.8	2.6	0.1
2008 Q2	5.4	2.0	3.4
2008 Q1	2.6	2.0	0.6
2007 Q4	3.6	2.6	1.0
2007 Q3	3.1	2.8	0.2
2007 Q2	5.5	3.1	2.3
2007 Q1	5.2	3.2	1.9
2006 Q4	4.2	2.9	1.3
2006 Q3	5.9	3.3	2.6
2006 Q2	10.1	3.6	6.3
2006 Q1	7.1	3.3	3.7
2005 Q4	7.9	3.5	4.2
2005 Q3	10.2	3.4	6.6
2005 Q2	15.9	3.1	12.4
2005 Q1	10.6	3.3	7.0
2004 Q4	9.4	3.2	6.0
2004 Q3	6.5	3.0	3.4
2004 Q2	11.2	2.8	8.2
2004 Q1	8.1	2.3	5.7
2003 Q4	7.0	2.1	4.7
2003 Q3	6.3	2.2	4.0
2003 Q2	2.1	2.1	0.1
2003 Q1	1.6	2.2	(0.6)
2002 Q4	3.4	1.8	1.6
2002 Q3	1.6	1.5	0.0
2002 Q2	(9.4)	1.4	(10.7)
2002 Q1	(6.1)	1.7	(7.6)
2001 Q4	(1.1)	2.0	(3.0)
2001 Q3	0.5	2.2	(1.7)
2001 Q2	1.2	2.5	(1.3)
2001 Q1	2.7	2.3	0.4
2000 Q4	4.2	2.4	1.8
2000 Q3	6.8	2.3	4.4
2000 Q2	11.7	2.0	9.5
2000 Q1	12.0	2.0	9.9
1999 Q4	7.3	1.6	5.6
1999 Q3	6.2	1.5	4.7
1999 Q2	3.9	1.5	2.4
1999 Q1	3.8	1.3	2.4

Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).

Table 2. Quarterly State Tax Revenue By Major Tax

Quarter	Year-Over-Year Percent Change			
	PIT	CIT	General Sales	Total
2011 Q1	12.8	5.1	6.3	9.3
2010 Q4	10.5	18.1	5.7	7.9
2010 Q3	5.4	0.5	4.2	5.1
2010 Q2	1.3	(19.0)	5.7	1.9
2010 Q1	3.6	0.6	0.1	3.3
2009 Q4	(4.1)	0.7	(5.4)	(3.3)
2009 Q3	(11.5)	(21.3)	(10.1)	(11.0)
2009 Q2	(27.7)	3.0	(9.5)	(16.3)
2009 Q1	(19.4)	(20.2)	(8.4)	(12.2)
2008 Q4	(1.9)	(23.0)	(5.3)	(4.0)
2008 Q3	0.9	(13.2)	4.7	2.8
2008 Q2	8.1	(7.0)	1.0	5.4
2008 Q1	4.8	(1.4)	0.7	2.6
2007 Q4	3.8	(14.5)	4.0	3.6
2007 Q3	7.0	(4.3)	(0.7)	3.1
2007 Q2	9.2	1.7	3.5	5.5
2007 Q1	8.5	14.8	3.1	5.2
2006 Q4	4.4	12.6	4.7	4.2
2006 Q3	6.6	17.5	6.7	5.9
2006 Q2	18.8	1.2	5.2	10.1
2006 Q1	9.3	9.6	7.0	7.1
2005 Q4	6.7	33.4	6.4	7.9
2005 Q3	10.2	24.4	8.3	10.2
2005 Q2	19.7	64.1	9.1	15.9
2005 Q1	13.1	29.8	7.3	10.6
2004 Q4	8.8	23.9	10.7	9.4
2004 Q3	5.8	25.2	7.0	6.5
2004 Q2	15.8	3.9	9.5	11.2
2004 Q1	7.9	5.4	9.1	8.1
2003 Q4	7.6	12.5	3.6	7.0
2003 Q3	5.4	12.6	4.7	6.3
2003 Q2	(3.1)	5.1	4.6	2.1
2003 Q1	(3.3)	8.3	2.4	1.6
2002 Q4	0.4	34.7	1.8	3.4
2002 Q3	(3.4)	7.4	2.4	1.6
2002 Q2	(22.3)	(12.3)	0.1	(9.4)
2002 Q1	(14.7)	(15.7)	(1.4)	(6.1)
2001 Q4	(2.5)	(34.0)	1.8	(1.1)
2001 Q3	(0.0)	(27.2)	2.3	0.5
2001 Q2	3.7	(11.0)	(0.8)	1.2
2001 Q1	4.6	(8.4)	1.8	2.7
2000 Q4	6.5	(0.4)	4.4	4.2
2000 Q3	10.0	8.2	4.8	6.8
2000 Q2	21.2	4.2	7.0	11.7
2000 Q1	17.0	11.0	11.9	12.0
1999 Q4	7.3	4.7	7.2	7.3
1999 Q3	6.9	4.3	6.2	6.2
1999 Q2	5.2	5.4	5.0	3.9
1999 Q1	5.8	(5.4)	4.9	3.8

Source: U.S. Census Bureau (tax revenue).

seeing strong growth in revenues.<sup>3</sup> Overall collections in 45 early reporting states showed growth of 12.5 percent in the April-May months of 2011 compared to the same months of 2010, and growth of 14.7 percent compared to the same months of 2009. With these figures, however, collections were still 8.9 percent below the April-May months of 2008. The latter period brought

especially high revenues from the personal income tax, as states enjoyed the benefit of strong capital gains. While state tax collections are now strengthening, they have yet to fully make up for the deep losses brought by the Great Recession. We expect that milestone to be passed when we report more complete second-quarter data later this summer.

### Personal Income Tax

In the first quarter of 2011, personal income tax revenue made up at least a third of total tax revenue in 20 states, and was larger than the sales tax in 25 states. Personal income tax revenue increased 12.8 percent in the January-March 2011 quarter compared to the same period in 2010. All regions reported increases in personal income tax collections. The largest growth was in the Great Lakes and Southwest regions, where collections increased by 33.5 and 21.4 percent, respectively. The Mid-Atlantic region reported the weakest growth in personal income tax collections at 5.4 percent.

Strong gains in the personal-income tax were widespread, as 40 states reported growth for the quarter and 30 enjoyed double-digit increases. Hawaii, New Hampshire, and Mississippi were the only three states reporting declines in personal income tax collections in the first quarter of 2011 at 33.4, 17, and 2.1 percent, respectively. The income tax in New Hampshire represented an almost negligible 2 percent of total tax collections. Therefore, the large declines in personal income tax collections in New Hampshire have an insignificant impact on overall state tax collections. That is not the case in Hawaii and Mississippi, where personal income tax collections represented 24 and 11 percent of overall state taxes in the first quarter of 2011. The large decline in personal income tax collections in Hawaii was mostly due to larger individual refunds processed in the first quarter of 2011. The largest increases in terms of dollar value were reported in California and Illinois, where personal income tax collections grew by \$1.3 billion and \$987 million, respectively. The large gain in Illinois is mostly attributable to the legislated tax increases that were passed in January of 2011 and increased the personal income tax rate from 3 percent to 5 percent for four years.

We can get a clearer picture of collections from the personal income tax by breaking this source down into major components for which we have data: withholding, quarterly estimated payments, final payments, and refunds. The Census Bureau, the source of much of the data in this report, does not collect data on individual components of personal income tax collections. The data presented here were collected by the Rockefeller Institute.

### Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is much less volatile than estimated payments or final

settlements. Table 3 shows that withholding for the January-March 2011 quarter continued to improve for the fifth quarter in a row, increasing by 8.3 percent for the 40 states for which we have withholding data. Withholding for the same states was up by 13.8 percent compared to the January-March quarter of 2009.

Among the states reporting growth in withholding for the first quarter of 2011, nine states reported double-digit growth, with Illinois and North Dakota reporting the strongest growth at 50.1 and 17.4 percent, respectively. The Great Lakes and Plains regions reported the largest growth in withholding at 19.4 and 8.2 percent, respectively, while the Southwest had the weakest growth at 0.1 percent. Two of 40 early reporting states — New Mexico and Oklahoma — reported declines in withholding at 13.4 and 1.9 percent, respectively.

### **Estimated Payments**

The highest-income taxpayers generally make estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, such as capital gains realized in the stock market. A strong stock market should eventually translate into capital gains and higher estimated tax payments. Strong business profits also tend to boost these payments. And when the market declines or profits fall, these payments often decline. Estimated payments represent a smaller proportion of overall income-tax revenues — some \$13.2 billion in the first quarter of 2011 — but can have a disproportionate impact on the direction of overall collections.

The first payment for each tax year is due in April in most states and the second, third, and fourth are generally due in June, September, and January. In the 37 states for which we have complete data for all four payments, the median payment was unchanged, and was up by 8.0 percent for the fourth payment compared to the previous year (see Table 4). Declines were recorded in 18 of 37 states for all four payments, with Mississippi and Arkansas reporting the largest declines at 14.7 and 11.6 percent, respectively. Only six states reported declines for the fourth payment. Preliminary numbers for the first payment indicate that the median payment was up by 21 percent in April of 2011. Thirty-three of 37 reporting states reported growth in estimated payments in April 2011.

### **Final Payments**

Final payments with personal income tax returns in the 37 reporting states were up by 11.7 percent in the first quarter of 2011 compared to the same quarter of 2010 and by 16.9 percent compared to the same quarter of 2009. Payments with returns in the January-March quarter of 2011 exceeded 2010 levels in 32 of 37 reporting states. California and Georgia had the largest declines in final payments in terms of dollar amount, with \$60 million and \$35 million declines, respectively, in the first quarter of 2011.

Table 3. Personal Income Tax Withholding, By State

	Last Four Quarters, Percent Change			
	2010			2011
	Apr-June	July-Sep	Oct-Dec	Jan-Mar
<b>United States</b>	<b>6.5</b>	<b>4.8</b>	<b>6.9</b>	<b>8.3</b>
<b>New England</b>	<b>4.8</b>	<b>5.6</b>	<b>4.8</b>	<b>7.4</b>
Connecticut	6.0	7.1	1.0	9.8
Maine	5.7	6.2	(0.9)	10.2
Massachusetts	4.2	5.0	7.4	6.5
Rhode Island	4.1	6.3	6.9	1.1
Vermont	4.2	0.9	2.4	5.1
<b>Mid-Atlantic</b>	<b>9.7</b>	<b>0.5</b>	<b>3.2</b>	<b>6.5</b>
Delaware	7.6	5.7	12.0	13.7
Maryland	3.7	4.7	3.4	6.2
New Jersey	9.4	(10.1)	(1.4)	5.6
New York	11.9	1.5	3.4	7.4
Pennsylvania	12.0	4.3	6.4	3.2
<b>Great Lakes</b>	<b>2.7</b>	<b>4.1</b>	<b>4.1</b>	<b>19.4</b>
Illinois	1.6	3.3	2.7	50.1
Indiana	4.1	5.4	6.0	7.1
Michigan	0.8	4.5	5.7	8.1
Ohio	3.5	5.0	5.9	10.9
Wisconsin	3.7	2.3	1.0	12.3
<b>Plains</b>	<b>4.0</b>	<b>4.7</b>	<b>5.9</b>	<b>8.2</b>
Iowa	3.7	4.5	5.7	7.3
Kansas	2.1	3.9	5.7	4.8
Minnesota	8.0	7.7	7.1	12.9
Missouri	2.3	1.6	4.9	4.0
Nebraska	0.5	4.3	4.2	6.6
North Dakota	(13.8)	(1.4)	7.2	17.4
<b>Southeast</b>	<b>2.1</b>	<b>2.3</b>	<b>5.5</b>	<b>4.7</b>
Alabama	1.8	2.4	3.1	3.4
Arkansas	4.7	5.1	6.5	6.6
Georgia	0.6	0.4	7.0	4.7
Kentucky	0.8	4.2	4.7	5.8
Louisiana	ND	ND	ND	ND
Mississippi	1.3	2.4	3.6	1.0
North Carolina	3.8	(0.4)	5.7	4.5
South Carolina	3.1	4.0	3.5	4.1
Virginia	1.5	4.4	5.9	5.1
West Virginia	2.1	6.0	6.9	5.4
<b>Southwest</b>	<b>2.5</b>	<b>1.4</b>	<b>6.8</b>	<b>0.1</b>
Arizona	2.6	3.1	7.6	6.6
New Mexico	11.4	4.8	12.0	(13.4)
Oklahoma	(1.1)	(2.3)	3.5	(1.9)
<b>Rocky Mountain</b>	<b>2.6</b>	<b>3.3</b>	<b>6.7</b>	<b>7.4</b>
Colorado	2.9	3.0	8.0	6.5
Idaho	5.5	3.7	6.0	10.2
Montana	2.9	5.5	6.1	7.5
Utah	0.5	2.9	4.5	8.0
<b>Far West</b>	<b>13.4</b>	<b>14.3</b>	<b>16.8</b>	<b>7.5</b>
California	15.2	16.2	18.8	7.2
Hawaii	(1.8)	3.3	7.3	0.7
Oregon	5.8	4.9	3.9	12.5

Source: Individual state data, analysis by Rockefeller Institute.

Note: Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no broad-based personal income tax and are therefore not shown in this table.  
ND - No Data.

Table 4. Estimated Payments/Declarations, By State

	Year-Over-Year Percent Change		
	April-January	December-	April 2011
	(all four payments)	January (fourth payment)	(first payment)
<b>Average (Mean)</b>	<b>1.1</b>	<b>11.5</b>	<b>25.1</b>
<b>Median</b>	<b>0.0</b>	<b>8.0</b>	<b>20.8</b>
Alabama	(8.9)	2.5	33.8
Arizona	(2.3)	1.5	22.6
Arkansas	(11.6)	(7.4)	(43.7)
California	22.3	53.7	23.6
Colorado	(7.3)	27.7	NM
Connecticut	19.0	25.7	21.4
Delaware	5.2	1.1	(2.9)
Georgia	(8.1)	17.1	23.1
Hawaii	8.4	(10.8)	NM
Illinois	(3.5)	10.7	85.4
Indiana	(4.0)	2.5	9.9
Iowa	6.1	12.6	(12.3)
Kansas	(3.7)	6.6	20.3
Kentucky	(1.5)	16.1	32.4
Maine	3.2	12.6	17.2
Maryland	0.0	(0.5)	7.8
Massachusetts	11.8	30.3	28.0
Michigan	2.6	8.3	21.1
Minnesota	(0.2)	17.7	37.8
Mississippi	(14.7)	1.8	30.4
Missouri	(3.0)	1.1	11.9
Montana	(5.3)	1.3	10.7
Nebraska	0.9	7.1	18.5
New Jersey	3.6	(4.7)	6.0
New York	8.0	2.7	44.0
North Carolina	0.6	8.0	14.9
North Dakota	(3.2)	40.9	111.1
Ohio	11.6	25.5	22.2
Oklahoma	(9.6)	24.0	40.2
Oregon	2.3	13.1	12.2
Pennsylvania	12.2	42.3	20.8
Rhode Island	8.3	20.3	39.1
South Carolina	(0.9)	7.6	10.1
Vermont	(0.1)	(0.6)	17.3
Virginia	3.2	13.2	(8.9)
West Virginia	(8.1)	(10.4)	136.3
Wisconsin	5.7	4.5	15.9

Source: Individual state data, analysis by Rockefeller Institute.  
NM - Not meaningful.

## Refunds

Personal income tax refunds paid by 37 states increased by 6 percent in the first four months of 2011 compared to the same period of 2010. In total, these 37 early reporting states paid out about \$2 billion more in refunds in the months of January-April of 2011 than in 2010. Refunds in California during the months of January-April of 2011 exceeded those for the same period of 2010 by \$1.8 billion, dominating the national picture. Eighteen of 37 reporting states returned less personal income tax refunds to taxpayers in the January-April months of 2011 compared to the same period of 2010.

## General Sales Tax

State sales tax collections in the January-March 2011 quarter showed growth of 6.3 percent from the same quarter in 2010, but were still down by 2.5 percent from the same period three years earlier. This is the fifth quarter in a row that sales tax collections rose. Increases in collections were reported during the first quarter in all regions but the Far West, where collections declined by 0.3 percent. The decline in sales tax in the Far West region is exclusively attributable to California, where collections fell by 3.1 percent. The Rocky Mountain and Great Lakes regions reported the largest increases in sales tax collections at 13.7 and 11.8 percent, respectively.

Forty-four of 45 states with broad-based sales taxes reported growth in collections for the quarter, with 14 reporting double-digit growth. Among individual states, North Dakota and Wyoming reported the largest growth at 37.8 and 21.2 percent, respectively.

## Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits and in the timing of tax payments. Many states, such as Delaware, Hawaii, Montana, Rhode Island, and Vermont, collect relatively little revenue from corporate taxes, and can have large fluctuations in percentage terms.

Corporate tax revenue increased by 5.1 percent in the January-March quarter compared to a year earlier. The numbers for the January-March quarter are somewhat skewed by a single state, California, where collections declined by \$176 million, or 7.8 percent, compared to the same period in 2010. If we exclude California, corporate income tax collections show a growth of 9.7 percent for the nation in the first quarter of 2011.

All regions reported growth in corporate income tax collections except the Far West region, where collections declined by 9.6 percent in the first quarter. The Southwest region reported the largest growth at 75.8 percent, followed by Plains at 35.7 percent.

Among 46 states that have a corporate income tax, 20 reported declines for the first quarter of 2011 compared to the same quarter of the previous year; 12 states saw double-digit declines. Seventeen states reported double-digit growth and nine states reported single-digit growth.

## Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes not broken out separately in the data collected by the Rockefeller Institute. In Table 5, we show four-quarter moving average real growth rates for the nation as a whole.

Revenues from all smaller tax sources showed growth, if mostly modest. State property taxes increased by 1.6 percent. Motor fuel tax revenue reported growth at 5.5 percent. Revenues



**Table 5. Percent Change in Real State Taxes Other Than PIT, CIT, and General Sales Taxes**

Year-Over-Year Real Percent Change; Four-Quarter Moving Averages

	Property tax	Motor fuel sales tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators license taxes	Other taxes
<b>Nominal collections (mlns), latest 12 months</b>	\$14,270	\$38,775	\$17,336	\$5,688	\$23,696	\$109,602
2011Q1	1.6	5.5	3.0	3.6	3.6	6.9
2010Q4	6.9	3.4	3.4	3.5	4.5	6.2
2010Q3	11.4	1.3	2.4	3.2	5.5	3.9
2010Q2	10.8	0.1	0.6	2.2	3.8	(2.0)
2010Q1	9.4	(0.7)	(1.2)	0.7	1.4	(9.2)
2009Q4	5.4	(1.9)	(1.6)	0.5	(0.1)	(13.7)
2009Q3	(0.9)	(3.3)	0.2	(0.1)	(1.4)	(13.4)
2009Q2	(2.3)	(5.6)	1.0	(0.4)	(1.2)	(7.0)
2009Q1	(3.9)	(6.2)	2.4	0.1	(0.7)	3.6
2008Q4	(3.0)	(5.1)	2.9	0.3	(1.3)	7.2
2008Q3	1.6	(3.5)	3.3	(0.3)	(0.7)	9.7
2008Q2	3.2	(1.9)	5.7	0.3	(0.5)	7.6
2008Q1	3.8	(1.4)	6.0	0.4	(1.2)	3.1
2007Q4	3.3	(1.9)	5.9	0.3	(0.7)	2.1
2007Q3	1.3	(0.9)	3.7	1.4	(1.1)	(0.5)
2007Q2	(0.4)	(1.3)	0.3	1.3	(1.0)	(1.4)
2007Q1	1.6	(0.1)	1.5	0.4	0.4	(1.1)
2006Q4	0.1	0.7	2.6	1.0	0.9	(0.4)
2006Q3	(0.3)	(1.1)	5.3	1.1	0.8	1.9
2006Q2	(0.2)	1.4	8.9	1.1	0.7	4.2
2006Q1	0.8	1.5	6.9	2.4	0.1	5.2
2005Q4	1.9	2.1	5.4	1.6	0.3	7.1
2005Q3	3.4	3.6	4.2	(0.2)	1.9	6.3
2005Q2	3.5	0.9	2.1	(0.6)	2.6	4.9
2005Q1	1.7	1.4	2.9	(2.4)	3.5	5.7
2004Q4	(4.9)	1.6	3.5	(1.5)	5.5	6.0
2004Q3	(2.4)	1.5	3.5	(0.0)	6.0	7.5
2004Q2	3.5	2.1	4.8	0.4	6.6	8.9
2004Q1	1.0	0.3	10.5	4.3	5.5	7.5
2003Q4	8.6	(1.0)	17.0	3.9	3.8	5.5
2003Q3	5.5	(1.3)	26.1	2.2	2.8	3.7
2003Q2	(1.1)	(0.4)	35.7	3.1	2.6	2.6
2003Q1	(5.0)	0.7	27.1	0.6	3.6	2.2
2002Q4	(4.8)	1.0	17.2	(0.1)	2.9	2.1
2002Q3	(6.7)	0.7	5.6	2.7	2.5	2.6
2002Q2	(4.4)	1.1	(5.9)	(0.2)	0.6	3.4
2002Q1	5.1	1.7	(5.0)	(0.2)	(1.2)	2.1
2001Q4	2.7	2.5	(1.5)	0.5	(2.9)	2.5
2001Q3	(0.3)	3.5	2.6	(1.4)	(3.3)	1.5
2001Q2	(5.0)	2.5	7.6	1.7	(0.7)	0.9
2001Q1	(12.6)	1.2	8.4	1.4	2.4	3.6
2000Q4	(11.1)	1.2	5.9	1.8	5.9	4.2
2000Q3	(4.1)	1.3	1.7	3.2	6.9	6.5
2000Q2	(2.6)	1.2	(1.3)	2.2	5.9	7.9
2000Q1	2.5	2.3	(4.5)	3.2	3.0	4.7
1999Q4	1.2	2.4	(5.3)	2.7	1.7	3.6
1999Q3	(1.5)	1.6	(2.9)	1.7	1.2	2.9
1999Q2	0.8	2.1	(1.0)	1.4	0.9	1.3
1999Q1	3.9	2.5	1.3	1.5	1.0	2.8

Source: U.S. Census Bureau.

from tobacco product sales taxes rose by 3.0 percent. Gains of 3.6 percent were reported for both alcoholic beverage sales tax and revenue from motor vehicle and operators' licenses.

### Underlying Reasons for Trends

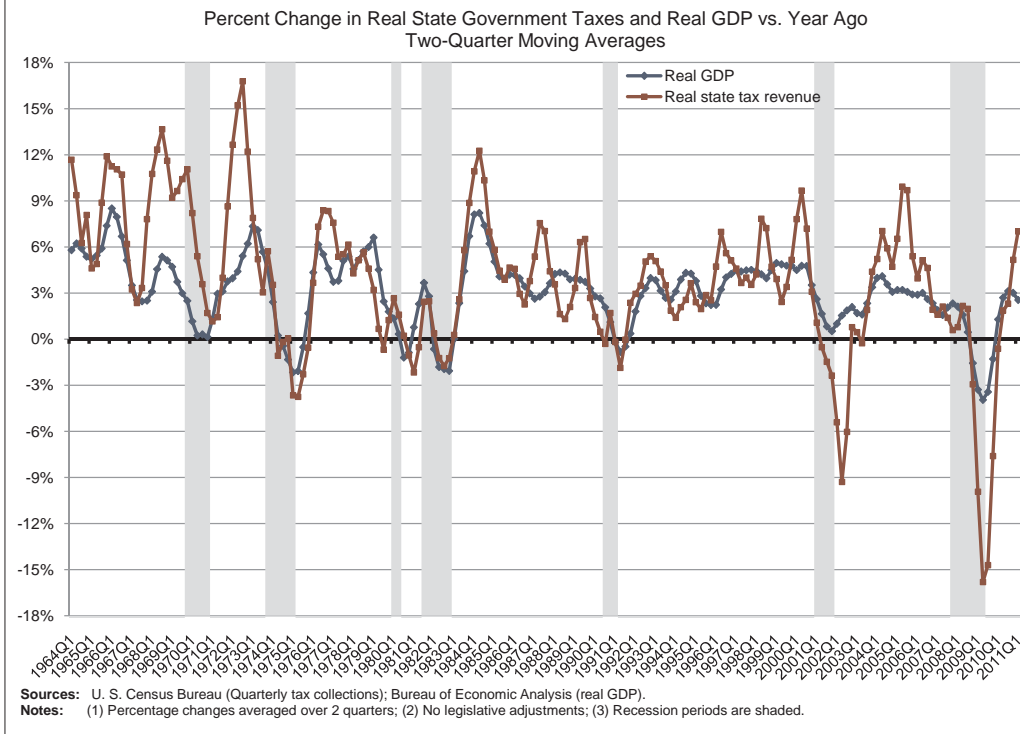
State revenue changes result from three kinds of underlying forces: differences in the national and state economies, the ways in which these differences affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

### National and State Economies

Most state tax revenue sources are heavily influenced by the economy — the income tax rises when income rises, the sales tax increases when consumers

increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly and when it declines, tax revenue tends to decline. Figure 4 shows year-over-year growth for two-quarter moving averages in inflation-adjusted state tax revenue and in real gross domestic product, to smooth

**Figure 4. State Tax Revenue Is Heavily Influenced By Economic Changes**



short-term fluctuations and illustrate the interplay between the economy and state revenues. Tax revenue is highly related to economic growth, but there also is significant volatility in tax revenue that is not explained solely by one broad measure of the economy. As shown in Figure 4, in the first quarter real state tax revenue showed 7.0 percent growth, which is the fourth consecutive quarter of growth since the third quarter of 2008, while real Gross Domestic Product showed growth

for the fifth consecutive quarter at 2.6 percent. Both economic activity and state tax revenue are rebounding.

While the Great Recession officially ended in June 2009, the economic recovery has been slow. Real gross domestic product increased at an annual rate of 1.9 percent in the January-March quarter of 2011, a noticeable slowdown compared to the 3.1 percent increase in the October-December quarter.

Durable goods consumption, an important element of state sales tax bases, showed an increase of 11.1 percent in the first quarter of 2011 relative to the same quarter a year ago after significant declines throughout 2008 and most of 2009. A 1.5 percent growth was reported in consumption of services, which is another important sector and comprises nearly 50 percent of total real GDP.<sup>4</sup>

It is helpful to examine economic measures that are closely related to state tax bases. Most states rely heavily on income taxes and sales taxes, and growth in income and consumption are extremely important to these revenue sources.

State-by-state data on income and consumption are not available on a timely basis, and so we cannot easily see variation across the country in these trends. Traditionally, the Rockefeller Institute has relied on employment data from the Bureau of Labor Statistics to examine state-by-state economic conditions. These data are relatively timely and are of high quality. Table 6 shows year-over-year employment growth over the last four quarters. For the nation as a whole, after eight consecutive quarters of decline, employment grew for the third quarter in a row by a modest 1.1 percent in the

**Table 6. Nonfarm Employment, By State**

Last Four Quarters, Year-Over-Year Percent Change

	2010			2011
	April-June	July-Sep	Oct-Dec	Jan-March
<b>United States</b>	<b>(0.6)</b>	<b>0.1</b>	<b>0.5</b>	<b>1.1</b>
<b>New England</b>	<b>(0.3)</b>	<b>0.4</b>	<b>0.6</b>	<b>1.0</b>
Connecticut	(1.2)	(0.0)	0.5	1.6
Maine	(0.8)	(0.4)	0.2	1.0
Massachusetts	0.2	0.8	0.7	0.6
New Hampshire	(0.6)	0.1	0.3	1.1
Rhode Island	(0.5)	0.6	0.2	0.3
Vermont	0.0	0.8	1.0	2.7
<b>Mid-Atlantic</b>	<b>0.0</b>	<b>0.2</b>	<b>0.5</b>	<b>0.8</b>
Delaware	(1.1)	0.6	0.2	1.1
Maryland	(0.2)	0.3	0.4	0.7
New Jersey	(0.8)	(0.6)	(0.4)	(0.1)
New York	0.4	0.2	0.8	0.7
Pennsylvania	0.2	0.8	0.9	1.6
<b>Great Lakes</b>	<b>(0.5)</b>	<b>0.5</b>	<b>0.7</b>	<b>1.3</b>
Illinois	(0.8)	0.1	0.6	1.3
Indiana	0.6	1.5	0.9	1.0
Michigan	(0.3)	0.9	0.9	1.7
Ohio	(0.9)	0.2	0.6	1.5
Wisconsin	(0.5)	0.4	0.5	0.9
<b>Plains</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.6</b>
Iowa	(0.5)	(0.4)	0.4	0.9
Kansas	(1.4)	(0.4)	(0.4)	(0.5)
Minnesota	(0.7)	0.2	0.4	0.8
Missouri	(1.6)	(0.6)	(0.4)	0.1
Nebraska	(0.5)	(0.2)	0.6	1.4
North Dakota	2.4	2.6	3.6	4.4
South Dakota	(0.1)	0.3	0.8	1.0
<b>Southeast</b>	<b>(0.7)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.8</b>
Alabama	(0.8)	(0.1)	0.1	0.4
Arkansas	0.1	0.5	1.3	1.7
Florida	(1.0)	(0.1)	(0.1)	0.5
Georgia	(1.4)	(0.4)	(0.0)	0.2
Kentucky	0.2	0.6	1.0	1.8
Louisiana	(0.6)	(0.5)	0.0	0.9
Mississippi	(0.3)	(0.2)	0.6	1.2
North Carolina	(1.0)	(0.5)	(0.0)	0.6
South Carolina	(0.5)	0.3	0.9	1.2
Tennessee	(0.1)	0.8	0.9	1.1
Virginia	(0.2)	0.3	0.2	1.2
West Virginia	(0.1)	1.0	1.0	1.0
<b>Southwest</b>	<b>(0.3)</b>	<b>0.5</b>	<b>1.3</b>	<b>1.7</b>
Arizona	(1.9)	(1.5)	(0.6)	0.2
New Mexico	(0.9)	(1.0)	(0.7)	(0.2)
Oklahoma	(0.8)	(0.4)	0.5	1.1
Texas	0.2	1.2	2.0	2.2
<b>Rocky Mountain</b>	<b>(1.0)</b>	<b>(0.1)</b>	<b>0.3</b>	<b>1.0</b>
Colorado	(1.2)	(0.2)	0.2	0.7
Idaho	(1.0)	(0.5)	(0.0)	1.2
Montana	(0.5)	(0.0)	(0.0)	0.4
Utah	(0.7)	0.4	0.7	1.6
Wyoming	(1.6)	(0.0)	0.9	1.2
<b>Far West</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>1.3</b>
Alaska	0.8	1.3	2.2	2.6
California	(1.5)	(0.1)	0.2	1.4
Hawaii	(1.2)	(0.4)	0.9	1.4
Nevada	(2.6)	(1.6)	(1.4)	(0.0)
Oregon	(0.7)	(0.1)	0.6	1.8
Washington	(1.6)	(0.8)	(0.0)	1.1

Source: Bureau of Labor Statistics, analysis by Rockefeller Institute.

January-March quarter of 2011. On a year-over-year basis, employment declined in four states: Kansas, Nevada, New Jersey, and New Mexico. North Dakota and Vermont reported the largest growth in employment at 4.4 and 2.7 percent, respectively. Eleven states reported growth of over 1.5 percent.

All regions reported growth in employment, but the growth is not evenly distributed among the regions. The Plains region reported the weakest growth in employment at 0.6. The Southwest region reported the largest increase in employment at 1.7 percent followed by the Great Lake and Far West regions reporting 1.3 percent growth each.

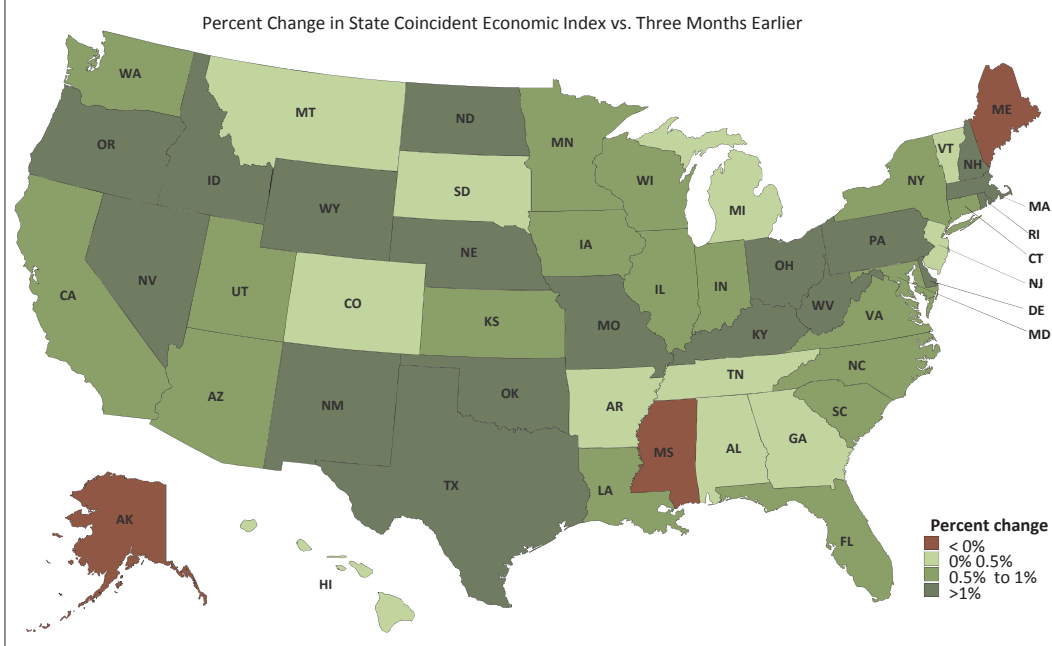
The employment data are compared to the same period a year ago rather than to preceding months. If employment begins to decline relative to earlier months, it can still be higher than its value a year ago. What we are likely to see in the employment data in such a case is a slowing rate of year-over-year growth when the economy begins to decline relative to recent months. The coincident indexes presented below can be compared more easily to recent months and thus can provide a more-intuitive picture of a declining economy. Both sets of data are useful.

Economists at the Philadelphia Federal Reserve Bank developed broader and highly timely measures known as “coincident economic indexes” intended to provide information about current economic activity in individual states. Unlike leading indexes, these measures are not designed to predict where the economy is headed; rather, they are intended to tell us where we are now.<sup>5</sup> They are modeled on a similar measure for the nation as a whole, but due to limited availability of state-level data they are focused on labor market conditions, incorporating information from nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. These indexes can be used to measure the scope of economic decline or growth.

Figure 5 shows state-by-state variation in relative economic activity as of May 2011. Three states showed decline in economic activity, but none of them showed dramatic declines. North Dakota reported the largest increase at 2.5 percent followed by New Mexico at 2.4 percent.

Figure 6 shows consumption of durable goods, non-durable goods, and services. The decline in consumption of durable and nondurable goods during the recent downturn was much sharper than in the last recession. Consumption of

**Figure 5. In May: Three States Had Declining Economies**

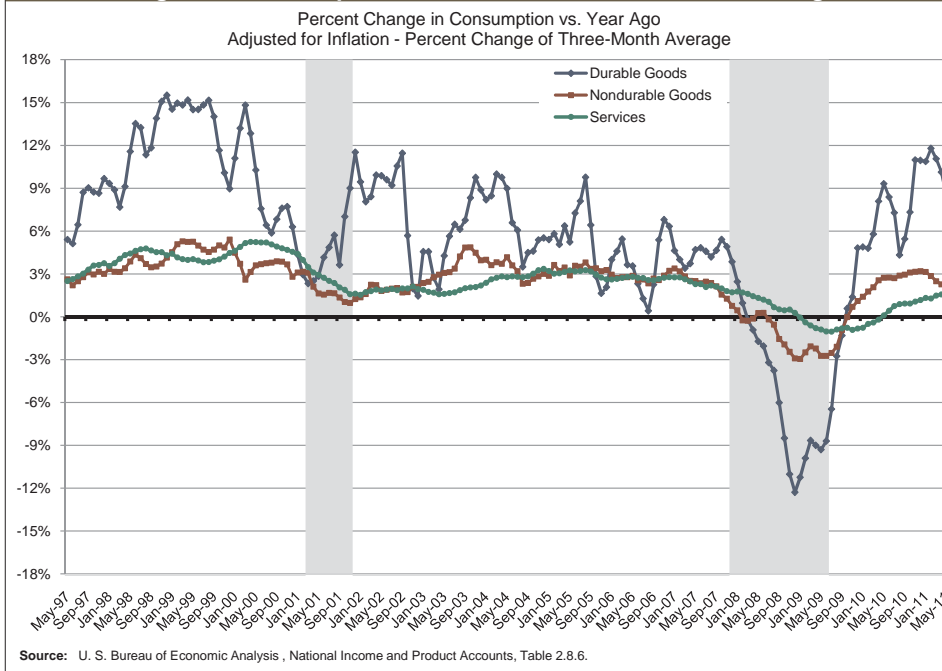


nondurable goods and services rose during the latter months of 2010 but has been weakening in recent months.

Figure 7 shows the year-over-year percent change in the federal government's seasonally adjusted, purchase-only house price index from 1992 through the first quarter of 2011. As Figure 7 shows, the trend in housing prices has been downward

since mid-2005, with steeply negative movement from the last quarter of 2004 through the end of 2008. While housing prices started to strengthen in 2009, the direction of change is still negative and it declined once again in the last three quarters after showing some upward movement in 2010. The states in the West continue to see the largest declines in the housing price index.

**Figure 6. Consumption of Goods and Services Is Recovering**



**Tax Law Changes Affecting This Quarter**

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the January-March 2011 quarter, enacted tax changes increased state revenue by an estimated net of \$2.9 billion compared to the same period in 2010.<sup>6</sup> Personal income tax increases accounted for approximately \$1.7 billion. Most of the increase is attributable to Illinois, where legislated changes increased the personal income tax by an estimated \$1.4 billion. In a single state, California, legislated changes increased

**Table 7. State Economic Activity: Declining in Three States**

State Indexes of Economic Activity  
States are Sorted by Percent Change vs. 3 Months Ago

State	Coincident index May 2011 (July 1992=100)	Percent change vs. 1 year ago (May 2010)	Percent change vs. 3 months ago (February 2011)
North Dakota	178.0	8.0	2.5
New Mexico	162.3	1.9	2.4
Oklahoma	151.5	4.2	2.2
Oregon	188.2	4.7	1.8
Massachusetts	170.8	4.1	1.7
Ohio	141.6	5.5	1.6
Nebraska	158.1	3.7	1.4
Pennsylvania	142.3	4.4	1.4
Rhode Island	151.2	4.2	1.4
New Hampshire	186.4	3.9	1.3
Wyoming	175.6	3.0	1.3
Missouri	131.9	2.0	1.2
Texas	173.6	3.8	1.1
West Virginia	155.9	2.1	1.1
Kentucky	138.8	3.2	1.1
Delaware	141.0	1.9	1.1
Nevada	178.0	1.0	1.0
Idaho	188.1	1.9	1.0
Utah	183.6	2.4	1.0
Arizona	177.2	1.2	0.9
New York	143.4	2.3	0.8
Wisconsin	138.0	2.8	0.8
North Carolina	152.7	2.0	0.8
<b>United States</b>	<b>152.6</b>	<b>2.2</b>	<b>0.8</b>
Florida	142.3	1.0	0.8
Illinois	141.2	3.5	0.7
Connecticut	156.2	3.3	0.7
Kansas	136.1	0.6	0.7
Virginia	146.2	1.8	0.6
Indiana	139.1	2.9	0.6
Minnesota	152.2	1.9	0.6
Maryland	142.9	1.8	0.6
California	150.7	2.6	0.6
South Carolina	147.9	3.0	0.6
Louisiana	122.6	1.2	0.6
Washington	151.3	2.0	0.6
Iowa	143.1	1.9	0.6
Colorado	170.3	1.1	0.5
Tennessee	143.2	1.8	0.4
Georgia	159.6	0.6	0.3
New Jersey	146.2	1.0	0.2
Hawaii	104.0	1.4	0.2
South Dakota	158.9	1.6	0.1
Arkansas	140.3	1.5	0.1
Michigan	127.1	6.0	0.1
Montana	152.6	(0.8)	0.1
Vermont	144.1	2.9	0.0
Alabama	127.7	0.6	0.0
Mississippi	141.8	1.1	(0.4)
Maine	134.9	1.3	(0.4)
Alaska	120.1	0.4	(0.9)

Source: Federal Reserve Bank of Philadelphia.

the motor fuel tax by an estimated \$629 million and corporate income tax by an estimated \$237 million, but decreased the sales tax by an estimated \$688 million due to exemptions for gasoline. Legislated changes in Arizona were also significant for the sales tax due to the 1 percent increase in the statewide sales tax. The net impact is that the increase in nominal tax revenue would have been somewhat smaller, if not for the legislated tax changes.

### The Impact of Two Major Taxes

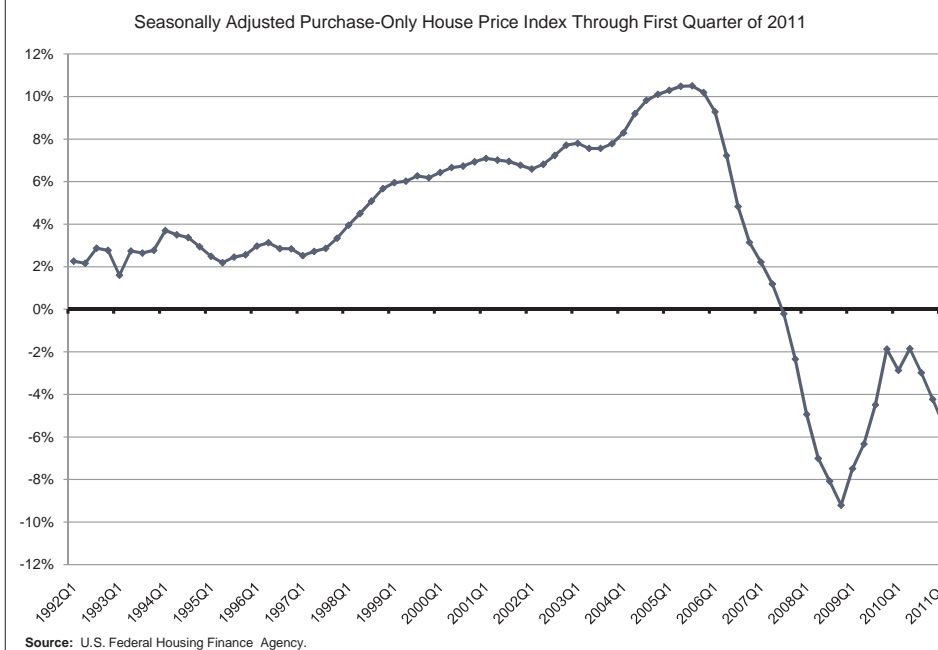
States rely on the sales tax for about 30 percent of their tax revenue, and it was hit far harder during and after the last recession than in previous recessions. Retail sales and consumption are major drivers of sales taxes. Figure 8 shows the cumulative percentage change in inflation-adjusted retail sales in the 40 months following the start of each recession from 1973 forward.<sup>7</sup> Several points are noteworthy. First, real retail sales in the Great Recession (the solid red line) plummeted after December 2007, falling sharply and almost continuously until December 2008, by which point they were more than 10 percent below the prerecession peak. This was deeper than in most recessions, although the declines in the 1973 and 1980 recessions also were quite sharp.

Second, while real retail sales have been rising from their lows for about a year and a half, they are still about 3 percent below their prerecession peak. So even if sales taxes precisely mirrored retail sales, they would be weak compared to two or three years ago. In fact, though, many state sales taxes exempt food and other necessities, and exempt or exclude many services, relying more heavily on non-necessities. Many of these taxable goods and services — such as cars, other durable goods, and restaurant meals — are far easier to do without or postpone than are necessities.

They tend to be more volatile and suffer greater declines in business downturns. Thus, the impact of an economic downturn may appear more dramatically in states' tax revenues than in measures of retail sales.

States, on average, count on the income tax for about 36 percent of their tax revenue. Employment and associated wage payments are major drivers of income taxes. Figure 9 shows the

Figure 7. Year-Over-Year Percent Change in State House Price Index



cumulative percentage change in nonfarm employment for the nation as a whole in the 48 months following the start of each recession from 1973 forward.<sup>8</sup> The last point for the 2007 recession is May 2011, month 41. As the graph shows, the 5 percent employment drop as of May 2011 is still far worse than declines seen in and around previous recessions. Moreover, employment remained stagnant for the last fourteen months, showing a decline between 5 and 6 percent. The trends depicted in Figure 9 suggest that it will take several

years before employment re-attains its prerecession peak.

### Looking Ahead

Collections from the two largest elements of state tax bases, the personal income tax and the sales tax, both showed strong growth in the first quarter of 2011. Such strength continued into April and May, according to early data the Rockefeller Institute has collected from a majority of states. It now appears likely that

the second quarter of 2011 will see state tax revenues finally surpassing (in nominal terms) their prerecession high levels of three years ago.

Through the first three quarters of fiscal 2011, states collected \$528 billion in total tax revenues, a gain of 7.4 percent from \$492 billion in the same period of fiscal 2010, according to Census data (see Tables 10 and 11). However, that fiscal 2011 figure was still about \$8.3 billion, or 1.6 percent, below the levels reported in the first three quarters of fiscal 2008.

Figure 8. Real Retail Sales Have Stabilized But Are Still About 3% Below Peak

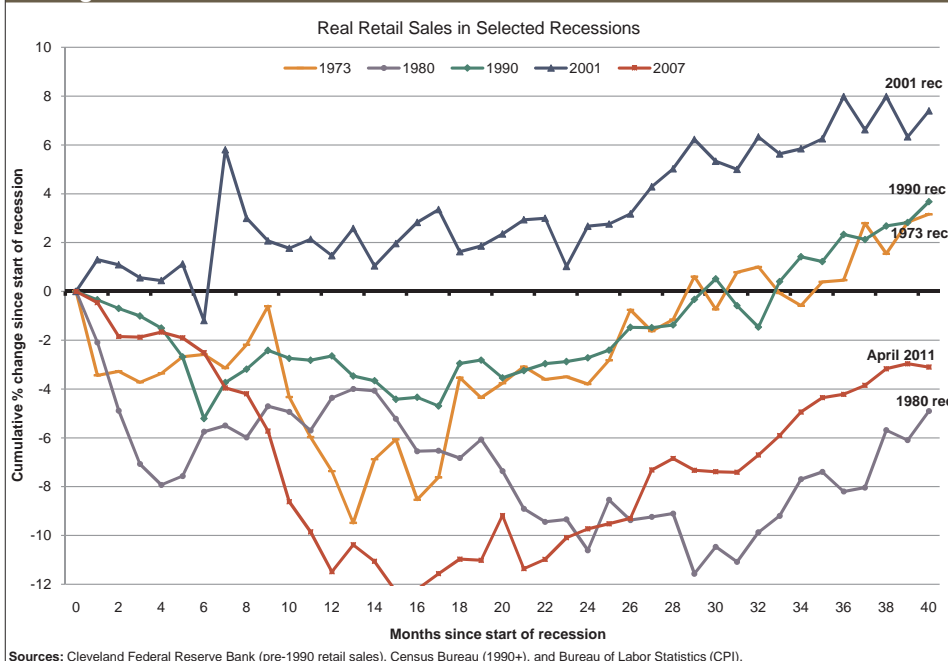
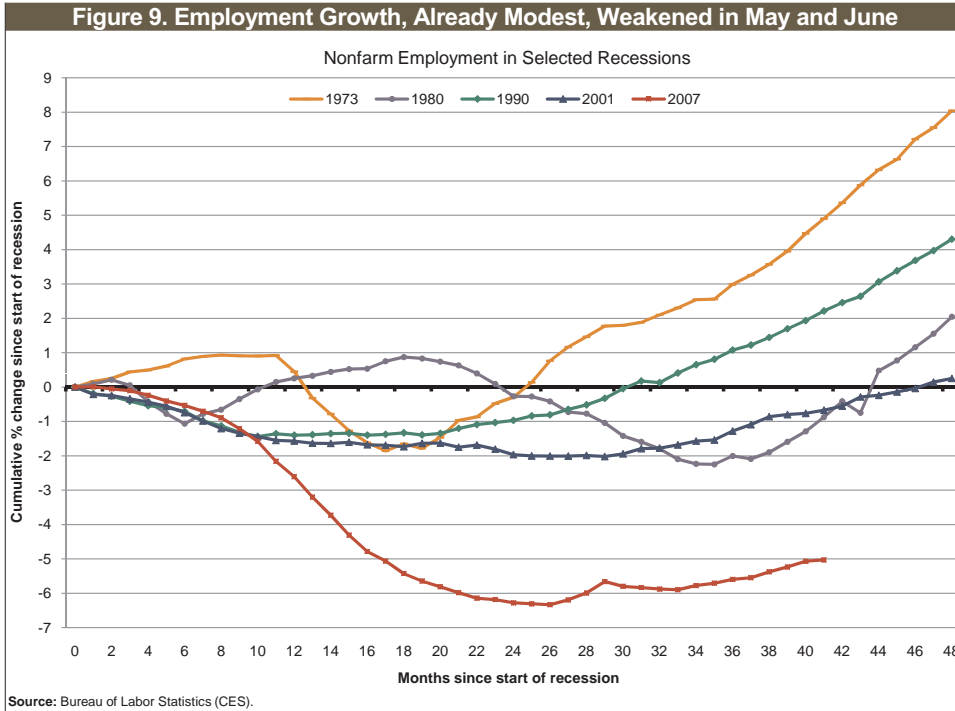


Table 8. State Tax Revenue, January-March, 2010 and 2011 (\$ in millions)								
	January-March 2010				January-March 2011			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
<b>United States</b>	<b>52,496</b>	<b>8,677</b>	<b>54,281</b>	<b>164,499</b>	<b>59,209</b>	<b>9,123</b>	<b>57,715</b>	<b>179,837</b>
<b>New England</b>	<b>4,027</b>	<b>979</b>	<b>2,412</b>	<b>10,233</b>	<b>4,509</b>	<b>1,026</b>	<b>2,523</b>	<b>11,042</b>
Connecticut	1,327	147	767	3,002	1,506	193	832	3,337
Maine	214	45	224	691	259	45	233	758
Massachusetts	2,224	607	1,150	4,776	2,454	607	1,178	5,094
New Hampshire	18	102	NA	811	15	100	NA	825
Rhode Island	174	56	189	594	186	61	193	619
Vermont	70	22	83	359	87	20	87	409
<b>Mid-Atlantic</b>	<b>17,074</b>	<b>2,098</b>	<b>7,135</b>	<b>35,161</b>	<b>17,993</b>	<b>2,182</b>	<b>7,714</b>	<b>39,015</b>
Delaware	206	20	NA	697	221	55	NA	730
Maryland	946	175	893	2,810	1,067	193	945	3,034
New Jersey	2,270	310	1,629	5,594	2,518	258	1,758	6,047
New York	11,416	1,247	2,593	17,542	11,778	1,321	2,917	19,700
Pennsylvania	2,236	346	2,021	8,517	2,409	355	2,094	9,503
<b>Great Lakes</b>	<b>5,972</b>	<b>1,156</b>	<b>7,456</b>	<b>21,681</b>	<b>7,975</b>	<b>1,369</b>	<b>8,338</b>	<b>25,059</b>
Illinois	2,515	729	1,617	7,092	3,502	766	1,757	8,065
Indiana	830	(15)	1,485	3,122	986	41	1,592	3,432
Michigan	240	86	1,887	3,286	505	182	2,165	3,974
Ohio	1,626	115	1,543	5,338	1,909	145	1,864	6,458
Wisconsin	761	239	923	2,843	1,072	236	960	3,130
<b>Plains</b>	<b>3,443</b>	<b>390</b>	<b>3,440</b>	<b>10,790</b>	<b>4,108</b>	<b>529</b>	<b>3,664</b>	<b>11,996</b>
Iowa	566	68	502	1,588	620	57	546	1,726
Kansas	502	58	532	1,453	552	63	566	1,556
Minnesota	1,229	217	1,052	3,871	1,598	283	1,096	4,273
Missouri	808	(40)	711	2,091	892	43	729	2,242
Nebraska	266	53	323	827	339	51	335	905
North Dakota	72	26	145	657	108	26	200	959
South Dakota	NA	7	174	303	NA	5	194	335
<b>Southeast</b>	<b>7,630</b>	<b>1,350</b>	<b>13,536</b>	<b>33,082</b>	<b>8,496</b>	<b>1,428</b>	<b>14,238</b>	<b>35,110</b>
Alabama	640	82	506	2,092	679	53	527	2,092
Arkansas	375	78	657	1,537	438	79	662	1,647
Florida	NA	317	4,455	7,886	NA	346	4,745	8,218
Georgia	1,207	161	1,193	3,120	1,327	175	1,268	3,353
Kentucky	627	52	682	2,216	693	68	706	2,329
Louisiana	328	(13)	614	1,670	466	(57)	699	1,834
Mississippi	179	129	703	1,420	175	148	721	1,524
North Carolina	2,079	194	1,501	5,037	2,202	144	1,507	5,172
South Carolina	147	56	659	1,308	206	91	660	1,337
Tennessee	18	191	1,536	2,478	20	175	1,622	2,662
Virginia	1,732	53	754	3,223	1,961	118	829	3,697
West Virginia	299	51	277	1,096	330	89	291	1,246
<b>Southwest</b>	<b>722</b>	<b>144</b>	<b>6,893</b>	<b>14,008</b>	<b>876</b>	<b>253</b>	<b>7,687</b>	<b>15,452</b>
Arizona	164	98	1,219	2,214	257	84	1,449	2,524
New Mexico	130	10	447	1,042	171	62	477	1,197
Oklahoma	427	37	477	1,588	448	108	530	1,756
Texas	NA	NA	4,749	9,165	NA	NA	5,230	9,975
<b>Rocky Mountain</b>	<b>1,500</b>	<b>130</b>	<b>1,315</b>	<b>4,372</b>	<b>1,770</b>	<b>139</b>	<b>1,495</b>	<b>4,933</b>
Colorado	809	76	501	1,788	956	59	552	2,028
Idaho	178	10	268	608	226	37	306	746
Montana	121	11	NA	454	139	16	NA	479
Utah	392	32	408	1,105	449	27	470	1,202
Wyoming	NA	NA	138	418	NA	NA	167	479
<b>Far West</b>	<b>12,128</b>	<b>2,431</b>	<b>12,093</b>	<b>35,172</b>	<b>13,483</b>	<b>2,197</b>	<b>12,057</b>	<b>37,231</b>
Alaska	NA	103	NA	1,018	NA	57	NA	1,188
California	10,745	2,239	8,495	25,656	12,045	2,063	8,234	27,129
Hawaii	429	24	611	1,340	285	3	653	1,204
Nevada	NA	NA	646	1,515	NA	NA	690	1,578
Oregon	955	65	NA	1,505	1,152	73	NA	1,749
Washington	NA	NA	2,341	4,137	NA	NA	2,480	4,383

Source: U.S. Census Bureau.

Figure 9. Employment Growth, Already Modest, Weakened in May and June



Source: Bureau of Labor Statistics (CES).

Preliminary data for the April-May months of 2011 suggest that tax conditions continued to improve in the second quarter. With early data for April-May 2011 now available for 45 states, tax revenue increased by 12.5 percent compared to the same months of the previous year. It appears unlikely, however, that such robust growth will continue. Strength in personal income tax revenue during April and May was likely attributable to capital gains and other benefits of financial-market strength in calendar 2010. Underlying wage and consumption

growth thus far in 2011 does not appear strong enough to support 12.5 percent revenue gains on a recurring basis.

Meanwhile, recent evidence of weakness in the economy raises serious new concerns for states. Following gains averaging 215,000 jobs per month from February through April, employment was essentially flat for May and June, the Bureau of Labor Statistics said in its July 8th “Employment Situation” report. Private-sector hiring slowed to its weakest pace in over a year, employment estimates for April and May were both reduced, and unemployment rose in June, two years after the recession officially ended.

Strong gains in state tax collections since late 2010 have been driven by both economic growth and legislated tax increases. If the economy continues to show weakness during the second half of 2011, revenue growth will likely soften as well.

Many states have continued to struggle with structural budgetary imbalances despite recent strong growth in revenues. In enacting fiscal 2012 budgets, most states were forced to take undesirable actions that included cutting essential public services such as education and health, and — in a few jurisdictions — raising income, sales or other taxes. If revenues falter again in a weakened economy, states’ budgetary choices will grow even more difficult.



**Table 9. Quarterly Tax Revenue by Major Tax**  
January-March, 2010 to 2011, Percent Change

	PIT	CIT	Sales	Total
<b>United States</b>	<b>12.8</b>	<b>5.1</b>	<b>6.3</b>	<b>9.3</b>
<b>New England</b>	<b>11.9</b>	<b>4.8</b>	<b>4.6</b>	<b>7.9</b>
Connecticut	13.5	31.7	8.5	11.2
Maine	21.0	(0.6)	4.1	9.7
Massachusetts	10.4	(0.1)	2.4	6.7
New Hampshire	(17.0)	(1.9)	NA	1.7
Rhode Island	7.1	8.3	2.1	4.3
Vermont	25.0	(6.4)	4.8	13.7
<b>Mid-Atlantic</b>	<b>5.4</b>	<b>4.0</b>	<b>8.1</b>	<b>11.0</b>
Delaware	7.7	176.9	NA	4.8
Maryland	12.8	10.7	5.9	8.0
New Jersey	10.9	(17.0)	7.9	8.1
New York	3.2	5.9	12.5	12.3
Pennsylvania	7.7	2.8	3.6	11.6
<b>Great Lakes</b>	<b>33.5</b>	<b>18.5</b>	<b>11.8</b>	<b>15.6</b>
Illinois	39.2	5.0	8.6	13.7
Indiana	18.9	(378.4)	7.2	9.9
Michigan	110.2	110.3	14.8	20.9
Ohio	17.4	25.5	20.8	21.0
Wisconsin	40.9	(1.5)	3.9	10.1
<b>Plains</b>	<b>19.3</b>	<b>35.7</b>	<b>6.5</b>	<b>11.2</b>
Iowa	9.5	(15.5)	8.6	8.7
Kansas	9.9	8.7	6.3	7.1
Minnesota	30.0	30.2	4.1	10.4
Missouri	10.5	(209.1)	2.5	7.2
Nebraska	27.3	(4.2)	3.6	9.5
North Dakota	49.3	2.0	37.8	46.0
South Dakota	NA	(30.3)	11.1	10.3
<b>Southeast</b>	<b>11.3</b>	<b>5.8</b>	<b>5.2</b>	<b>6.1</b>
Alabama	6.1	(35.6)	4.3	(0.0)
Arkansas	16.6	1.6	0.9	7.2
Florida	NA	9.1	6.5	4.2
Georgia	9.9	8.7	6.3	7.5
Kentucky	10.6	31.0	3.6	5.1
Louisiana	41.9	322.1	13.7	9.8
Mississippi	(2.1)	14.8	2.6	7.3
North Carolina	5.9	(25.9)	0.4	2.7
South Carolina	39.6	63.4	0.2	2.2
Tennessee	10.7	(8.8)	5.6	7.4
Virginia	13.2	123.4	10.0	14.7
West Virginia	10.3	73.9	4.8	13.7
<b>Southwest</b>	<b>21.4</b>	<b>75.8</b>	<b>11.5</b>	<b>10.3</b>
Arizona	56.7	(14.6)	18.9	14.0
New Mexico	31.1	544.7	6.6	14.9
Oklahoma	4.9	194.6	11.1	10.5
Texas	NA	NA	10.1	8.8
<b>Rocky Mountain</b>	<b>18.0</b>	<b>7.1</b>	<b>13.7</b>	<b>12.8</b>
Colorado	18.2	(22.5)	10.2	13.4
Idaho	27.2	262.2	14.3	22.7
Montana	14.2	40.1	NA	5.5
Utah	14.6	(15.1)	15.0	8.8
Wyoming	NA	NA	21.2	14.6
<b>Far West</b>	<b>11.2</b>	<b>(9.6)</b>	<b>(0.3)</b>	<b>5.9</b>
Alaska	NA	(44.9)	NA	16.7
California	12.1	(7.8)	(3.1)	5.7
Hawaii	(33.4)	(85.6)	6.8	(10.1)
Nevada	NA	NA	6.8	4.1
Oregon	20.6	12.9	NA	16.2
Washington	NA	NA	6.0	5.9

Source: U.S. Census Bureau.

## Endnotes

- 1 We have adjusted the historical data for local property tax revenue as reported by the Census Bureau, revising the data for the third quarter of 2008 and earlier periods upward by 7.7 percent, consistent with the higher level of property tax revenue in the new sample compared with the previous sample, as reported in the Census Bureau's "bridge study." For more information on methodological changes to the local property tax and the results of the bridge study, please see: <http://www2.census.gov/govs/ntax/bridgestudy.pdf>.
- 2 We made adjustments to Census Bureau corporate income tax data for one state — Colorado — based upon data and information provided to us directly by officials in Colorado. These revisions together account for the slight difference between the Census Bureau figures and the Rockefeller Institute estimates. As a result of these adjustments, we report a year-over-year increase in corporate income tax collections of 5.1 percent, compared with the 5.5 percent increase that can be computed from data on the Census Bureau's website.
- 3 Preliminary figures for April-May 2011 months are not available for the following five states: Hawaii, Minnesota, Nevada, New Mexico, and North Dakota. Total tax collections for these five states combined represent about 5-6 percent of nationwide tax collections. Therefore, it is less likely that the nationwide picture for the state tax collections may change once we have complete data for all 50 states for the months of April and May of 2011.
- 4 See Bureau of Economic Analysis, National Income and Products Accounts Table (Table 1.1.11).
- 5 For a technical discussion of these indexes and their national counterpart, see Theodore M. Crone and Alan Clayton-Matthews. "Consistent Economic Indexes for the 50 States," *Review of Economics and Statistics*, 87 (2005), pp. 593-603; Theodore M. Crone, "What a New Set of Indexes Tells Us About State and National Business Cycles," *Business Review*, Federal Reserve Bank of Philadelphia (First Quarter 2006); and James H. Stock and Mark W. Watson. "New Indexes of Coincident and Leading Economic Indicators," *NBER Macroeconomics Annual* (1989), pp. 351-94. The data and several papers are available at [www.philadelphiafed.org/econ/indexes/coincident](http://www.philadelphiafed.org/econ/indexes/coincident).
- 6 Rockefeller Institute analysis of data from the National Association of State Budget Officers and from reports in several individual states.
- 7 This treats the 1980-82 "double-dip" recession as a single long recession.
- 8 This also treats the 1980-82 "double-dip" recession as a single long recession.

Table 10. State Tax Revenue, FYTD 2010 and FYTD 2011 (\$ in millions)								
	July 2009 - March 2010				July 2010 - March 2011			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
<b>United States</b>	<b>162,894</b>	<b>24,453</b>	<b>162,994</b>	<b>491,567</b>	<b>178,415</b>	<b>26,356</b>	<b>171,828</b>	<b>528,138</b>
<b>New England</b>	<b>12,121</b>	<b>2,248</b>	<b>6,931</b>	<b>28,648</b>	<b>13,449</b>	<b>2,464</b>	<b>7,297</b>	<b>30,940</b>
Connecticut	3,302	299	2,048	7,547	3,700	346	2,109	8,194
Maine	834	120	661	2,284	916	144	683	2,436
Massachusetts	6,983	1,378	3,387	14,146	7,748	1,439	3,644	15,365
New Hampshire	42	316	NA	1,628	36	363	NA	1,694
Rhode Island	634	79	598	1,830	693	97	613	1,929
Vermont	326	56	237	1,213	355	75	248	1,322
<b>Mid-Atlantic</b>	<b>44,281</b>	<b>5,848</b>	<b>22,069</b>	<b>94,503</b>	<b>46,909</b>	<b>6,203</b>	<b>23,515</b>	<b>103,350</b>
Delaware	625	76	NA	1,866	1,484	165	NA	2,790
Maryland	4,311	630	2,436	10,366	4,279	480	2,547	10,519
New Jersey	6,679	1,170	5,483	16,908	6,892	1,180	5,728	17,813
New York	26,265	2,959	7,982	43,887	27,525	3,245	8,799	48,968
Pennsylvania	6,400	1,014	6,169	21,477	6,728	1,133	6,441	23,260
<b>Great Lakes</b>	<b>22,222</b>	<b>3,061</b>	<b>24,036</b>	<b>72,374</b>	<b>25,154</b>	<b>3,798</b>	<b>25,516</b>	<b>78,185</b>
Illinois	6,730	1,716	5,084	20,012	7,813	2,251	5,532	22,443
Indiana	2,575	253	4,415	9,559	2,991	350	4,659	10,257
Michigan	3,782	469	6,769	16,739	4,322	456	6,848	17,323
Ohio	5,361	57	5,193	16,721	5,871	141	5,782	18,114
Wisconsin	3,773	567	2,574	9,342	4,157	601	2,696	10,048
<b>Plains</b>	<b>12,043</b>	<b>1,088</b>	<b>10,294</b>	<b>33,232</b>	<b>13,202</b>	<b>1,413</b>	<b>11,048</b>	<b>36,355</b>
Iowa	1,745	90	1,416	4,480	1,866	109	1,517	4,799
Kansas	1,671	232	1,628	4,462	1,801	204	1,749	4,751
Minnesota	4,458	511	3,072	11,975	5,036	762	3,375	13,264
Missouri	2,941	65	2,175	6,864	3,120	138	2,211	7,202
Nebraska	1,027	111	981	2,645	1,131	95	1,014	2,779
North Dakota	201	54	450	1,811	248	96	575	2,529
South Dakota	NA	25	571	995	NA	10	608	1,033
<b>Southeast</b>	<b>28,797</b>	<b>5,060</b>	<b>39,935</b>	<b>105,069</b>	<b>30,623</b>	<b>4,876</b>	<b>41,733</b>	<b>109,388</b>
Alabama	1,879	299	1,524	6,081	2,043	282	1,606	6,358
Arkansas	1,451	282	1,960	5,409	1,562	243	2,068	5,706
Florida	NA	1,145	12,941	22,961	NA	1,185	13,536	23,596
Georgia	5,013	432	3,521	10,603	5,448	445	3,754	11,416
Kentucky	2,229	223	2,066	6,990	2,368	291	2,156	7,390
Louisiana	1,654	375	1,966	6,322	1,708	36	2,106	6,077
Mississippi	857	244	2,010	4,259	867	266	2,045	4,511
North Carolina	6,959	886	4,273	15,810	7,172	631	4,615	16,123
South Carolina	1,476	58	1,816	4,545	1,589	133	1,798	4,803
Tennessee	27	476	4,589	7,276	32	614	4,801	7,738
Virginia	6,291	397	2,443	11,435	6,788	447	2,375	11,965
West Virginia	962	244	825	3,377	1,047	302	872	3,706
<b>Southwest</b>	<b>3,716</b>	<b>378</b>	<b>20,883</b>	<b>42,464</b>	<b>4,074</b>	<b>693</b>	<b>22,791</b>	<b>46,342</b>
Arizona	1,616	210	3,548	7,578	1,852	325	4,123	8,495
New Mexico	501	33	1,313	2,889	547	147	1,451	3,387
Oklahoma	1,598	134	1,460	5,045	1,676	221	1,616	5,464
Texas	NA	NA	14,562	26,953	NA	NA	15,601	28,997
<b>Rocky Mountain</b>	<b>5,396</b>	<b>437</b>	<b>4,073</b>	<b>14,065</b>	<b>5,932</b>	<b>497</b>	<b>4,431</b>	<b>15,404</b>
Colorado	2,826	206	1,531	5,849	3,123	218	1,633	6,388
Idaho	712	56	849	2,086	779	97	903	2,303
Montana	473	44	NA	1,388	523	60	NA	1,492
Utah	1,385	131	1,234	3,566	1,507	122	1,383	3,816
Wyoming	NA	NA	459	1,177	NA	NA	512	1,405
<b>Far West</b>	<b>34,319</b>	<b>6,333</b>	<b>34,772</b>	<b>101,211</b>	<b>39,073</b>	<b>6,412</b>	<b>35,497</b>	<b>108,174</b>
Alaska	NA	303	NA	3,256	NA	374	NA	2,865
California	29,800	5,808	24,328	73,777	34,521	5,721	24,413	80,098
Hawaii	1,126	35	1,744	3,600	829	22	1,843	3,439
Nevada	NA	NA	1,481	3,535	NA	NA	1,566	3,527
Oregon	3,393	186	NA	5,027	3,723	294	NA	5,546
Washington	NA	NA	7,219	12,017	NA	NA	7,675	12,699

Source: U.S. Census Bureau.

**Table 11. FYTD Tax Revenue by Major Tax**  
FYTD 2010 vs. FYTD 2011, Percent Change

	PIT	CIT	Sales	Total
<b>United States</b>	<b>9.5</b>	<b>7.8</b>	<b>5.4</b>	<b>7.4</b>
<b>New England</b>	<b>11.0</b>	<b>9.6</b>	<b>5.3</b>	<b>8.0</b>
Connecticut	12.1	15.8	3.0	8.6
Maine	9.8	20.3	3.3	6.6
Massachusetts	10.9	4.5	7.6	8.6
New Hampshire	(14.2)	14.6	NA	4.0
Rhode Island	9.3	22.3	2.4	5.4
Vermont	9.1	33.4	4.7	8.9
<b>Mid-Atlantic</b>	<b>5.9</b>	<b>6.1</b>	<b>6.6</b>	<b>9.4</b>
Delaware	137.5	117.9	NA	49.5
Maryland	(0.7)	(23.9)	4.6	1.5
New Jersey	3.2	0.9	4.5	5.4
New York	4.8	9.7	10.2	11.6
Pennsylvania	5.1	11.8	4.4	8.3
<b>Great Lakes</b>	<b>13.2</b>	<b>24.1</b>	<b>6.2</b>	<b>8.0</b>
Illinois	16.1	31.2	8.8	12.2
Indiana	16.1	38.3	5.5	7.3
Michigan	14.3	(2.7)	1.2	3.5
Ohio	9.5	148.5	11.4	8.3
Wisconsin	10.2	6.0	4.7	7.6
<b>Plains</b>	<b>9.6</b>	<b>29.9</b>	<b>7.3</b>	<b>9.4</b>
Iowa	6.9	21.3	7.1	7.1
Kansas	7.8	(12.3)	7.4	6.5
Minnesota	13.0	49.0	9.8	10.8
Missouri	6.1	110.5	1.7	4.9
Nebraska	10.1	(14.4)	3.4	5.0
North Dakota	23.4	78.9	27.7	39.7
South Dakota	NA	(57.5)	6.4	3.8
<b>Southeast</b>	<b>6.3</b>	<b>(3.6)</b>	<b>4.5</b>	<b>4.1</b>
Alabama	8.7	(5.4)	5.4	4.6
Arkansas	7.7	(13.9)	5.5	5.5
Florida	NA	3.5	4.6	2.8
Georgia	8.7	2.9	6.6	7.7
Kentucky	6.2	30.8	4.3	5.7
Louisiana	3.3	(90.4)	7.1	(3.9)
Mississippi	1.2	9.0	1.8	5.9
North Carolina	3.1	(28.8)	8.0	2.0
South Carolina	7.7	128.4	(1.0)	5.7
Tennessee	17.6	28.9	4.6	6.3
Virginia	7.9	12.7	(2.8)	4.6
West Virginia	8.9	24.1	5.7	9.7
<b>Southwest</b>	<b>9.7</b>	<b>83.6</b>	<b>9.1</b>	<b>9.1</b>
Arizona	14.6	54.8	16.2	12.1
New Mexico	9.0	341.3	10.5	17.2
Oklahoma	4.9	64.6	10.7	8.3
Texas	NA	NA	7.1	7.6
<b>Rocky Mountain</b>	<b>9.9</b>	<b>13.7</b>	<b>8.8</b>	<b>9.5</b>
Colorado	10.5	5.8	6.7	9.2
Idaho	9.4	73.6	6.4	10.4
Montana	10.5	34.7	NA	7.5
Utah	8.8	(6.6)	12.1	7.0
Wyoming	NA	NA	11.4	19.4
<b>Far West</b>	<b>13.9</b>	<b>1.2</b>	<b>2.1</b>	<b>6.9</b>
Alaska	NA	23.5	NA	(12.0)
California	15.8	(1.5)	0.3	8.6
Hawaii	(26.4)	(37.4)	5.7	(4.5)
Nevada	NA	NA	5.7	(0.2)
Oregon	9.7	57.7	NA	10.3
Washington	NA	NA	6.3	5.7

Source: U.S. Census Bureau.

## About The Nelson A. Rockefeller Institute of Government's Fiscal Studies Program

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This report was researched and written by Lucy Dadayan, senior policy analyst. Robert B. Ward, deputy director of the Institute, directs the Fiscal Studies Program. Shuqin Pan, graduate research assistant, assisted with data collection. Michael Cooper, the Rockefeller Institute's director of publications, did the layout and design of this report, with assistance from Michele Charbonneau.

You can contact Lucy Dadayan at [dadayanl@rockinst.org](mailto:dadayanl@rockinst.org).