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After Four Years of Uninterrupted Growth, Tax Revenues Decline in the First Quarter

Preliminary Figures for the Second Quarter of 2014 Signal Further Declines in Personal Income Tax

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HIGHLIGHTS

- State tax revenues declined by 0.3 percent in the first quarter of 2014, according to Rockefeller Institute research and Census Bureau data. This is the first time state tax revenues declined after four years of uninterrupted growth.
- The Plains region showed the largest declines at 5.4 percent, while the Rocky Mountain states showed growth at 6.4 percent in the first quarter.
- Personal income tax collections showed decline at 1.2 percent in the first quarter of 2014. The declines in personal income tax collections appear to be primarily due to the mirror-image effect of the initial impact of the fiscal cliff on taxpayer behavior, which had driven tax collections upward a year ago.
- Year-to-date figures show 2.8 percent growth in overall state tax collections in the first three quarters of fiscal 2014 compared to the same period of 2013.
- Preliminary figures for the second quarter of 2014 indicate further declines in personal income tax collections and possible declines in overall state tax collections.
- Local property tax revenues grew by 1.9 percent in the first quarter, marking the eighth consecutive quarter of growth in nominal terms.

Overall State Taxes and Local Taxes

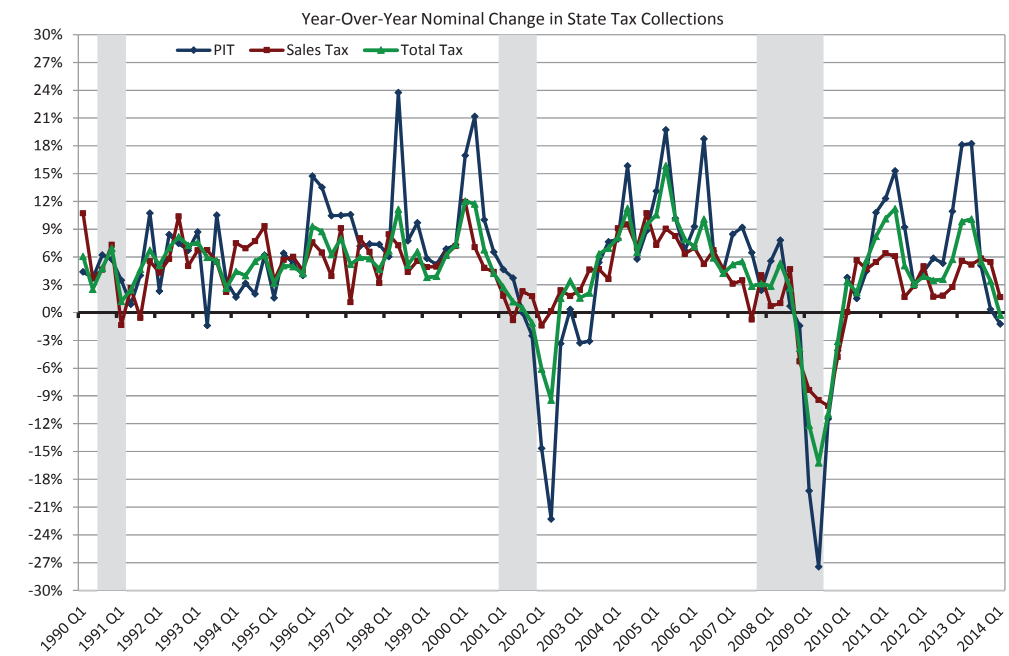
Total state tax collections showed significant softening in the second half of 2013 and a decline in the first quarter of 2014. This is the first time that states reported declines in overall tax collections since the end of 2009. Early figures for the second quarter of 2014 indicate potentially another quarter of declines in overall state tax collections, and more pronounced declines in personal income tax collections. Still, the declines in the first half of 2014 are not an indication of a slowing economy and have been much anticipated due to the temporary impact of the federal fiscal cliff.

Officials in many states have been facing extraordinary challenges in forecasting income taxes due to uncertainties related to capital gains, which had a large impact on estimated taxes paid in December and January, and on payments with tax returns filed in April. As discussed in previous reports, many taxpayers accelerated income from calendar year 2013 to calendar year 2012 to avoid higher federal tax rates, therefore creating a "trough" in capital gains in 2013. And although 2013 was a good year in terms of stock market, it did not offset the "trough" effect related to the fiscal cliff, and many states reported large declines in capital gains.

While the greatest impacts may have been on capital gains subject to personal income taxes, the incentives to change taxpayer behavior also may have affected other forms of nonwage income, as well as income subject to business income taxes. In addition, taxpayers had incentives to decelerate deductions — to move them from 2012 to later years — and this, too, may have contributed to the bulge in taxes paid on 2012 income and the subsequent trough.

Overall state tax revenues decreased by 0.3 percent in the first quarter of 2014 compared to the same quarter of the previous year, according to data collected by the Rockefeller Institute and the Census Bureau. The Institute's findings indicate slightly stronger fiscal conditions for states than the preliminary data released in June 2014 by the Census Bureau. We have updated those figures to reflect data we have since obtained and to reflect differences in how we measure revenue for purposes of the State

Figure 1. Downward Turn in State Tax Collections



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue.
Notes: Data for the most recent quarter reflect adjustments by the Rockefeller Institute to include information released after initial publication.

Revenue Report. (See "Adjustments to Census Bureau Tax Collection Data" on page 23.[1])

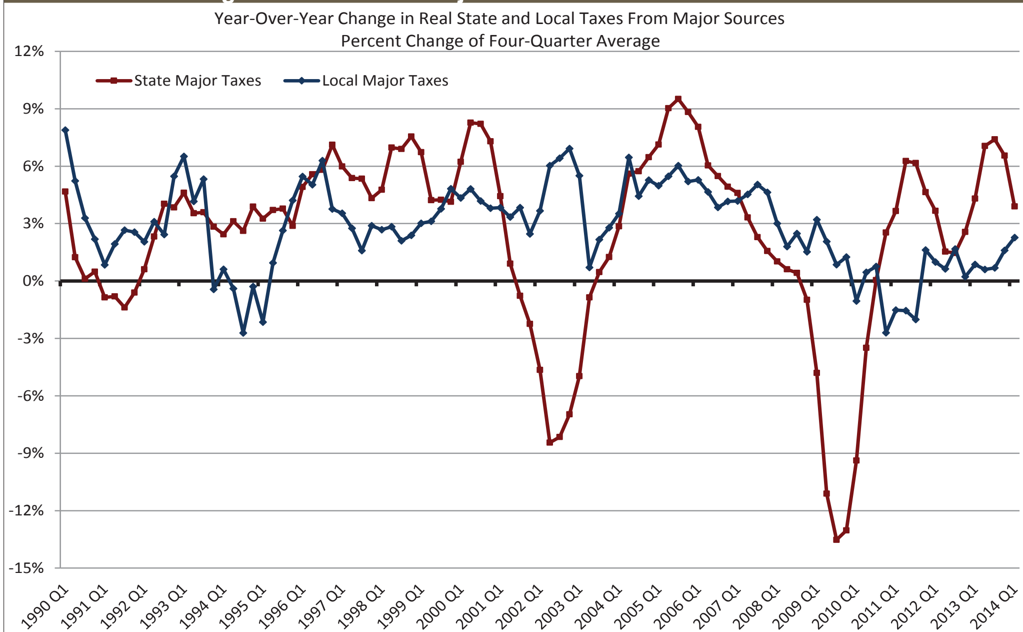
Figure 1 shows the nominal percent change over time in state tax collections for personal income tax, sales tax, and total taxes. As shown there, declines in personal income tax and sales tax collections, as well as in overall state tax collections, were steeper during and after the Great Recession that began in December 2007 than around the previous two recessions. The graph also shows rapid income tax growth in the last quarter of 2012 and the first half of 2013, which is consistent with the caution mentioned in the previous *State Revenue Reports*. Much of that strong growth was attributable to the behavioral responses of the highest income taxpayers. Due to scheduled increases in federal income tax rates for 2013, many high income taxpayers sought to avoid the possible higher rates and "accelerated" their capital gains realizations and some other income into 2012.[2]

Overall state tax collections, as well as personal income tax revenues, showed significant softening in the second half of 2013 and declines in the first quarter of 2014. The large fluctuations in personal income tax collections throughout the calendar year 2013 and early 2014 appears to be mostly due to the temporary impact of the fiscal cliff on taxpayer behavior. Personal income tax collections increased by 0.3 percent in the fourth quarter of 2013 and declined by 1.2 percent in the first quarter of 2014.

The growth in sales tax collections was more stable throughout 2013 but softened significantly in the first quarter of 2014. Sales tax collections rose by 5.5 and 1.7 percent, respectively, in the fourth quarter of 2013 and the first quarter of 2014.

Despite the year-over-year declines, total state tax collections in the first quarter of 2014 were above the previous peak levels in most states, in nominal terms. In the first quarter of 2014, forty-five states reported higher tax revenue collections than in the same quarter of 2008, the first full quarter of the Great Recession. If we adjust the numbers for inflation, nationwide tax receipts show 4.1 percent growth in the first quarter of 2014

Figure 2. Growth in Major State Taxes Ticks Downward



Sources: U.S. Census Bureau , Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) Data is for major taxes only, including sales tax, personal income tax, corporate income tax, and property tax. (3) No adjustments for legislative changes.

compared to the same quarter of 2008. This is the sixth consecutive time since the start of the Great Recession that inflation adjusted quarterly state tax collections are higher than the previous peak. Despite the relatively strong growth in overall state tax collections, inflation adjusted sales tax receipts for the nation show only 0.6 percent growth in the first quarter of 2014 compared to the same quarter of 2008.

Figure 2 shows the four-quarter moving average of inflation adjusted year-over-year change in state tax collections and local tax collections from major sources such as personal income, corporate income, sales, and property taxes. Beginning with the third quarter of 2013, the Census Bureau redesigned the local nonproperty tax survey instrument and now collects data only from the four largest tax categories: property, sales, personal income, and corporate income taxes. Therefore, Figure 2 is based on tax collections from those four major tax categories only and excludes revenue collections from smaller taxes, such as motor fuel sales taxes, tobacco product, and alcoholic beverage sales taxes among other smaller sources of taxes. For comparative purposes, we have excluded smaller taxes from the total state government taxes as well. Overall, smaller taxes represent around one quarter of total state government tax collections and less than 10 percent of total local government tax collections. In addition, we have adjusted the Census Bureau's local property tax revenues to reflect differences between the Census Bureau's prior survey methodology and a revised survey methodology being used since the fourth quarter of 2008 for collecting property tax revenues.[3] As shown in Figure 2, the year-over-year change in state major taxes, adjusted for inflation, has averaged 3.9 percent over the last four quarters. This represents considerable softening compared to the growth rates reported throughout 2013. However, the growth in 2013 was driven upward by artificially boosted income tax collections.

Local major tax revenues showed continued growth. Local taxes grew in real, year-over-year terms — by an average of 2.3

percent over the last four quarters, a substantial improvement over the 0.9 percent growth of the preceding year. Inflation over the year, as measured by the gross domestic product deflator, was 1.4 percent.

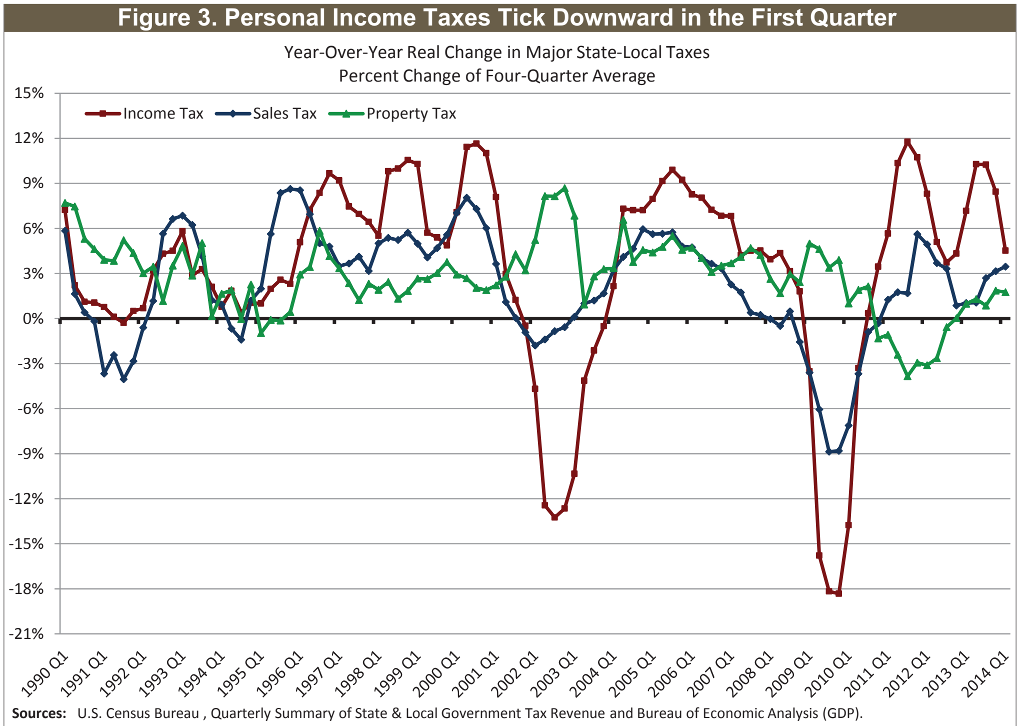
Despite the continuous growth, local tax collections from major sources have been relatively weak by historical standards over the last three years, due in part to the lagged impact of falling housing prices on property tax collections. For the quarter ending in March 2014, the 2.3 percent growth in the four-quarter moving average of local major tax collections is relatively weak compared to historical averages. The largest year-over-year growth in local major tax collections in the last decade (on a four-quarter moving average basis, adjusted for inflation) was recorded in the second quarter of 2004, at 6.5 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. Over the last two decades, property taxes have consistently made up at least two-thirds of total local tax collections. Local property tax revenues showed a growth of 1.9 percent in nominal terms in the first quarter of 2014 compared to the same quarter of 2013.

Local sales tax collections, the second largest contributor to overall local tax revenues, grew by 20.7 percent in the first quarter of 2014 in nominal terms. We do not have the details needed to examine the underlying causes of this large increase, but it is likely to be the result of technical and legislative factors rather than a surge in economic growth, given the tepid state of the economic recovery and the fact that the state sales tax grew by only 1.7 percent. Collections from local individual income taxes, a much smaller contributor to overall local revenues, showed an increase of 9.1 percent, while collections from corporate income taxes grew by 31.2 percent.

Figure 3 shows the four-quarter moving 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

Figure 3. Personal Income Taxes Tick Downward in the First Quarter



Sources: U.S. Census Bureau , Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.

tax showed slower growth, and then outright decline, from 2006 through most of 2009. By this measure, income tax showed growth of 4.5 percent in the first quarter of 2014, which marks the fifteenth consecutive quarter of growth. However, the growth in income tax collections ticked downward in the last two quarters. State-local sales tax collections showed growth of 3.5 percent in the first quarter of 2014. The first-quarter average of year-over-year changes in state-local property taxes showed growth of 1.7 percent, marking the sixth consecutive quarter of growth.

State Tax Revenue

Total state tax revenue declined in the first quarter of 2014 by 0.3 percent relative to a year ago, before adjustments for inflation and legislated changes (such as changes in tax rates). The individual income tax also showed a decline at 1.2 percent, while the sales tax and corporate income tax grew by 1.7 and 1.4 percent, respectively. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Eleven states reported declines in total tax revenue during the first quarter of 2014, while three states reported double-digit increases (see Tables 7 and 8 on pages 17-18). The Plains region showed the largest declines at 5.4 percent, followed by the Far West region at 4 percent. The Mid-Atlantic and Great Lakes regions also showed declines in total state collections at 1.0 and 0.5 percent, respectively. The remaining regions showed growth in state collections, with Rocky Mountain states reporting the greatest growth at 6.4 percent.

Preliminary figures collected by the Rockefeller Institute for the April-June quarter of 2014 indicate that collections in personal income tax revenues declined.[4] Moreover, the early figures indicate possible declines in overall state collections as well in the second quarter of 2014. Overall tax collections in thirty-six early reporting states showed a decline of 0.8 percent in the second quarter of 2014 compared to the same quarter of 2013. Early figures also indicate a decline of 6.5 percent in income tax collections and growth of 4.5 percent in sales tax collections.

Personal Income Tax

In the first quarter of 2014, personal income tax revenue made up at least a third of total tax revenue in twenty-one states, and was larger than the sales tax in twenty-two states. Personal income tax revenues showed decline at 1.2 percent in the first quarter of 2014 compared to the same period in 2013, which marks the first time states are reporting declines after sixteen consecutive quarter of growth. However, the decline in income tax collections in the first quarter is not an indication of a slowing economy but appears to be due primarily to the mirror-image effect of the fiscal cliff on taxpayer behavior, which had driven tax collections upward a year ago. Personal income tax collections were above the recessionary peak for the quarter in nominal terms, ending 14.7

Table 1. Quarterly State Tax Revenue

Year-Over-Year Percent Change

Quarter	Total Nominal Change	Inflation Rate	Adjusted Real Change
2014 Q1	(0.3)	1.4	(1.7)
2013 Q4	3.4	1.4	1.9
2013 Q3	5.5	1.4	4.1
2013 Q2	10.1	1.5	8.5
2013 Q1	9.8	1.6	8.1
2012 Q4	5.7	1.8	3.8
2012 Q3	3.6	1.6	1.9
2012 Q2	3.5	1.7	1.7
2012 Q1	3.9	2.0	1.9
2011 Q4	3.1	1.9	1.1
2011 Q3	5.1	2.3	2.7
2011 Q2	11.2	2.2	8.8
2011 Q1	10.1	1.9	8.1
2010 Q4	8.2	1.8	6.3
2010 Q3	5.7	1.6	4.0
2010 Q2	2.2	1.1	1.0
2010 Q1	3.4	0.5	2.9
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(10.9)	0.3	(11.2)
2009 Q2	(16.2)	1.0	(17.0)
2009 Q1	(12.2)	1.6	(13.5)
2008 Q4	(3.9)	1.9	(5.7)
2008 Q3	2.7	2.1	0.5
2008 Q2	5.3	1.8	3.5
2008 Q1	2.9	1.9	0.9
2007 Q4	3.1	2.5	0.6
2007 Q3	2.9	2.4	0.5
2007 Q2	5.5	2.8	2.7
2007 Q1	5.2	3.0	2.1
2006 Q4	4.2	2.7	1.5
2006 Q3	5.9	3.1	2.7
2006 Q2	10.1	3.3	6.6
2006 Q1	7.1	3.2	3.8
2005 Q4	7.9	3.4	4.4
2005 Q3	10.2	3.3	6.7
2005 Q2	15.9	3.0	12.4
2005 Q1	10.6	3.2	7.2
2004 Q4	9.4	3.1	6.2
2004 Q3	6.5	2.9	3.5
2004 Q2	11.2	2.8	8.3
2004 Q1	8.1	2.2	5.7
2003 Q4	7.0	2.0	4.9
2003 Q3	6.3	2.0	4.2
2003 Q2	2.1	1.9	0.2
2003 Q1	1.6	2.0	(0.4)
2002 Q4	3.4	1.7	1.7
2002 Q3	1.6	1.5	0.1
2002 Q2	(9.4)	1.4	(10.6)
2002 Q1	(6.1)	1.6	(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	2.4	0.3

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

Table 2. Quarterly State Tax Revenue By Major Tax

Year-Over-Year Percent Change

Quarter	PIT	CIT	General Sales	Total
2014 Q1	(1.2)	1.4	1.7	(0.3)
2013 Q4	0.3	2.9	5.5	3.4
2013 Q3	5.1	1.5	5.8	5.5
2013 Q2	18.2	10.4	5.2	10.1
2013 Q1	18.1	9.4	5.6	9.8
2012 Q4	10.9	3.0	2.7	5.7
2012 Q3	5.3	8.5	1.8	3.6
2012 Q2	5.9	(3.0)	1.7	3.5
2012 Q1	4.4	3.6	5.0	3.9
2011 Q4	2.9	(3.3)	2.9	3.1
2011 Q3	9.2	0.9	1.7	5.1
2011 Q2	15.3	18.3	6.1	11.2
2011 Q1	12.3	4.1	6.4	10.1
2010 Q4	10.8	12.1	5.5	8.2
2010 Q3	4.5	0.5	4.7	5.7
2010 Q2	1.5	(19.0)	5.7	2.2
2010 Q1	3.8	0.3	0.1	3.4
2009 Q4	(4.1)	0.7	(4.8)	(3.1)
2009 Q3	(11.5)	(21.3)	(10.1)	(10.9)
2009 Q2	(27.4)	3.0	(9.5)	(16.2)
2009 Q1	(19.2)	(20.2)	(8.4)	(12.2)
2008 Q4	(1.4)	(23.0)	(5.3)	(3.9)
2008 Q3	0.7	(13.2)	4.7	2.7
2008 Q2	7.8	(7.0)	1.0	5.3
2008 Q1	5.6	(1.4)	0.7	2.9
2007 Q4	2.4	(14.5)	4.0	3.1
2007 Q3	6.5	(4.3)	(0.7)	2.9
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

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

percent higher than in the first quarter of 2008. Inflation-adjusted figures indicate that personal income tax collections were only 4.9 percent above the recessionary peak reported in the first quarter of 2008.

All regions but the Far West, Great Lakes, and Southeast reported increases in personal income tax collections. The Southwest and Rocky Mountain regions reported the largest increases in personal income tax collections at 18.4 and 8.1 percent, respectively. The largest decline was in the Far West region where collections declined by 9.5 percent in the first quarter of 2014. The large declines in the Far West region are mostly attributable to a single state — California — where personal income tax collections declined by $2 billion or 11.1 percent. The large declines in personal income tax collections in California are due to the impact of the fiscal cliff, as well as at least partially driven by legislated tax changes. On November 6, 2012, California voters adopted Proposition 30, which increased the personal income tax rate on taxpayers making over $250,000 for single taxpayers and $500,000 for married taxpayers for a seven-year period that is retroactive from January 1, 2012, through December 31, 2018. As a result, many taxpayers chose to pay in January 2013, which resulted in a large spike in the first quarter of 2013.The declines in California are in line with the revenue projections as state forecasting officials anticipated large drops in capital gains. If we exclude California, personal income tax collections show a growth of 8.6 percent for the Far West region and a growth of 2 percent for the nation.

Overall, twenty-nine states reported growth in personal income tax collections for the quarter with eleven states reporting double-digit increases. Fourteen states reported declines in personal income tax collections with the following eight states reporting double-digit declines: California, Maine, Michigan, New Hampshire, North Carolina, North Dakota, Ohio, and Tennessee. The declines in two of these eight states — New Hampshire and Tennessee — are not meaningful as both states don't have broad-based income tax and the tax is on interest and dividends income only. The large declines in the first quarter of 2014 in Maine, Michigan, North Carolina, North Dakota, and Ohio are at least partially attributable to the legislative changes that cut income tax rates as well as restructured tax brackets.

The largest growth in income tax collections was reported in New Mexico and Nebraska at 45.7 and 33.5 percent, respectively. In terms of dollar value, the largest increases were reported in New York, where personal income tax collections grew by $436 million, or 3.5 percent.

We can get a clearer picture of collections from the personal income tax by breaking this source down into four 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

Table 3. Personal Income Tax Withholding, By State

Last Four Quarters, Percent Change

	2013			2014
	Apr-June	July-Sep	Oct-Dec	Jan-Mar
United States	**3.6**	**4.1**	**1.1**	**5.6**
New England	**2.1**	**3.6**	**1.9**	**6.7**
Connecticut	3.0	1.8	1.7	2.5
Maine	(2.2)	(2.2)	(3.6)	3.8
Massachusetts	1.9	5.2	2.5	9.1
Rhode Island	1.5	2.6	2.4	6.8
Vermont	10.2	6.5	5.7	15.1
Mid-Atlantic	**3.5**	**4.5**	**1.9**	**6.2**
Delaware	3.9	5.5	2.3	14.8
Maryland	1.8	3.5	0.9	4.8
New Jersey	6.8	11.9	2.5	5.2
New York	3.6	3.5	2.1	7.2
Pennsylvania	2.6	2.3	2.1	3.2
Great Lakes	**4.0**	**4.0**	**(0.4)**	**4.3**
Illinois	2.4	3.0	1.8	0.6
Indiana	7.4	(0.1)	4.2	7.5
Michigan	2.4	4.4	2.6	5.0
Ohio	6.0	2.4	(4.1)	(3.3)
Wisconsin	3.5	14.0	(7.2)	17.8
Plains	**1.8**	**0.2**	**0.1**	**2.3**
Iowa	2.7	2.3	2.7	3.3
Kansas	(13.9)	(17.4)	(15.6)	(4.6)
Minnesota	7.2	5.1	5.0	5.0
Missouri	1.0	1.5	0.1	1.3
Nebraska	2.8	(2.7)	(0.8)	4.4
North Dakota	11.9	16.1	(1.9)	(11.7)
Southeast	**2.9**	**3.5**	**1.8**	**1.8**
Alabama	4.9	(1.2)	1.9	4.1
Arkansas	5.3	0.2	1.1	7.1
Georgia	3.1	3.5	1.4	7.4
Kentucky	(0.5)	5.6	1.1	3.1
Louisiana	2.9	9.9	(2.8)	10.4
Mississippi	5.8	0.8	4.7	9.0
North Carolina	4.6	3.1	3.5	(10.7)
South Carolina	3.6	4.9	1.4	8.1
Virginia	0.5	4.9	2.1	1.5
West Virginia	3.2	(5.1)	1.7	4.1
Southwest	**3.9**	**4.1**	**0.1**	**8.6**
Arizona	2.6	5.8	(1.4)	6.7
New Mexico	5.6	(1.8)	(1.6)	24.2
Oklahoma	4.9	4.4	3.0	5.2
Rocky Mountain	**5.7**	**3.3**	**3.7**	**7.0**
Colorado	5.0	4.0	3.0	6.2
Idaho	1.0	3.2	8.2	8.4
Montana	3.6	6.0	(0.2)	6.6
Utah	10.0	1.3	4.3	8.1
Far West	**5.0**	**6.0**	**0.6**	**9.2**
California	5.0	6.1	0.0	9.6
Hawaii	7.3	3.1	2.3	5.6
Oregon	4.1	5.7	5.2	6.5

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.

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 2014 quarter increased by 5.6 percent for the forty-one states with broad-based personal income taxes, which is considerably stronger than the 1.1 percent rate reported in the October-December quarter. Wages are the largest component of taxable income by far. However, despite the relatively strong 5.6 percent growth in withholding taxes on wages, the income tax did not maintain its growth due to declines in investment income. While the stock market performed well throughout 2013 and in the first half of 2014, taxable investment income was nonetheless extremely weak in the second half of the 2013 and first half of 2014 because of the accelerations discussed earlier.

Thirty-seven states reported growth in withholding for the first quarter of 2014, while four states reported declines. New Mexico and Wisconsin reported the strongest growth in the first quarter of 2014, at 24.2 and 17.8 percent, respectively. The four states reporting declines were Kansas, North Carolina, North Dakota, and Ohio. Among these four states reporting declines, North Dakota reported the largest decline in withholding at 11.7 percent, followed by North Carolina at 10.7 percent, respectively. All four of these states had some kind of legislated changes that led to cuts in income tax rates. For example, earlier in 2013, the governor of Kansas signed into law a tax-cut measure that reduced the number of income tax brackets from three to two, as well as cut the rates. The tax rates were cut from 3.5 percent to 3.0 percent for the bottom bracket, which includes people making less than $15,000 per year. The top two brackets were consolidated into a single bracket and the tax rates were reduced from 6.45 percent and 6.25 percent to a single rate of 4.9 percent for taxpayers earning over $15,000 per year. Therefore, the tax cuts were more advantageous for higher income taxpayers as the income tax was cut by more for higher income taxpayers. In addition, Kansas became the first state to fully exempt business profits that are “passed through” from the firm to individual owners. Beginning in tax year 2014, the income tax rates on the bottom and top brackets will be reduced further to 2.7 and 4.8 percent, respectively. Moreover, the tax rates will continue to drop through tax year 2018.

All regions reported growth in withholding, with the Far West region reporting the largest growth in withholding at 9.2 percent, and the Southeast region reporting the softest growth at 1.8 percent.

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. Estimated payments normally represent a relatively small proportion of overall income-tax revenues, but can have a disproportionate impact on the direction of overall collections. In the first quarter of 2014, the estimated payments accounted for $16.7 billion, or roughly 23 percent of all personal income tax revenues.

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 (although many high-income taxpayers make this last state income tax payment in December, so that it is deductible on the federal tax return for that year, rather than the next). In the thirty-eight states for which we have complete data for all four payments (mostly attributable to the 2013 tax year), the median payment was up by 6.4 percent compared to the previous year (see Table 4). Declines were recorded in twelve of thirty-eight states for all four payments. The median growth of 6.4 percent reported for all four payments of tax year 2013 is a significant softening compared to the median growth of 14.7 percent reported for all payments of tax year 2012.

The median fourth estimated payment for this year declined by 8.2 percent, whereas the median fourth payment last year grew by 26.5 percent. Declines were recorded in twenty-eight states for the fourth payment, with fourteen states reporting double-digit declines.

The decline in the fourth payment of this year versus last year is not surprising and appears to be related to federal tax policy and the uncertainty that was tied to the "fiscal cliff." If Congress had not taken any actions to address the "fiscal cliff," tax rates would have risen on several types of income, including capital gains. (And tax rates did end up increasing, as mentioned above, although Congressional action muted those increases.) Therefore, many taxpayers accelerated the realization of some income, such as capital gains, from tax year 2013 into tax year 2012. This resulted in a strong growth in estimated payments for the fourth payment of tax year 2012 and subsequently led to declines in the fourth payment of the tax year 2013. The uncertain implications of the federal policy created a further burden for states trying to make accurate projections of personal income taxes.

Table 4. Estimated Payments/Declarations, By State

Year-Over-Year Percent Change

	April-January (all 4 payments of 2012)	Dec-January (4th payment of 2012)	April (1st payment of 2013)	April-January (all 4 payments of 2013)	Dec-January (4th payment of 2013)	April (1st payment of 2014)
Average (Mean)	**15.0**	**31.2**	**13.6**	**5.0**	**(8.7)**	**(4.9)**
Median	**14.7**	**26.5**	**12.0**	**6.4**	**(8.2)**	**(1.5)**
Alabama	21.0	41.0	15.3	(2.6)	(18.9)	(13.0)
Arizona	6.6	(0.3)	5.0	(0.3)	(14.3)	8.0
Arkansas	21.0	41.4	(7.9)	0.2	(14.0)	8.1
California	56.6	126.9	26.6	(6.5)	(30.6)	13.9
Colorado	15.8	28.9	57.0	18.6	(14.0)	(23.9)
Connecticut	21.3	36.0	1.3	4.8	1.2	1.9
Delaware	12.2	23.3	7.9	7.6	1.4	(2.9)
Georgia	0.4	17.4	(68.7)	(21.3)	(8.0)	(0.1)
Hawaii	34.4	38.6	(29.1)	11.2	(24.6)	(54.6)
Illinois	24.1	46.3	13.2	7.7	(0.9)	(8.6)
Indiana	8.7	20.5	(0.2)	(0.9)	(7.0)	17.0
Iowa	28.7	56.4	17.9	(2.3)	(21.5)	(8.0)
Kansas	15.5	23.8	(39.6)	(37.8)	(45.8)	(46.7)
Kentucky	(1.1)	30.0	45.8	10.6	(9.0)	(55.0)
Louisiana	11.3	41.8	35.2	6.4	(7.8)	7.1
Maine	17.9	46.0	(2.9)	(6.7)	(25.8)	7.9
Maryland	13.8	29.0	11.1	3.7	(7.7)	3.2
Massachusetts	10.4	24.1	11.3	8.0	3.0	0.4
Michigan	21.0	34.2	15.2	13.4	3.4	(3.6)
Minnesota	15.7	26.7	45.5	25.8	23.7	(14.3)
Mississippi	21.4	62.9	(52.5)	4.7	(35.8)	63.2
Missouri	10.0	21.2	18.3	12.4	6.4	(3.1)
Montana	18.5	50.4	14.5	6.4	(0.7)	5.1
Nebraska	19.7	35.9	20.1	7.3	(10.4)	(8.4)
New Jersey	9.7	24.0	9.8	9.8	5.1	3.3
New York	4.7	22.0	51.5	20.3	3.8	(30.7)
North Carolina	11.5	22.7	(9.1)	(7.5)	(10.7)	8.5
North Dakota	22.1	72.5	203.1	51.0	(25.3)	(60.7)
Ohio	10.4	20.9	16.8	(0.6)	(15.2)	(26.6)
Oklahoma	15.2	13.9	27.9	8.1	(8.6)	(8.8)
Oregon	7.6	27.7	(8.8)	9.0	0.3	25.6
Pennsylvania	14.0	17.7	2.6	(0.5)	(8.4)	2.4
Rhode Island	(2.2)	2.6	18.4	2.4	(8.9)	5.7
South Carolina	15.9	26.3	4.4	1.0	(7.7)	(6.0)
Vermont	17.6	17.7	12.6	14.2	14.8	8.0
Virginia	0.9	0.2	(10.6)	9.4	(0.3)	28.8
West Virginia	5.2	(1.2)	0.3	(3.7)	(4.8)	(5.0)
Wisconsin	14.2	17.8	35.9	8.2	(8.8)	(22.7)

Source: Individual state data, analysis by Rockefeller Institute.

Preliminary numbers for the first payment on 2014 income indicate that the median payment was down by 1.5 percent in April of 2014. Twenty of thirty-eight states reported declines in estimated payments in April 2014.

Final Payments

Final payments normally represent a smaller share of total personal income tax revenues in the first, third, and fourth quarters of the tax year, and a much larger share in the second quarter of the tax year due to the April 15th income tax return deadline. In the first quarter of 2014, final payments accounted for $3.8 billion, or roughly 5 percent of all personal income tax revenues. Final payments with personal income tax returns in the thirty-nine early reporting states grew by 15.5 percent in the first quarter of 2014 compared to the same quarter of 2013. Payments with returns in the January-March quarter of 2014 exceeded 2013 levels in all but ten states.

Refunds

Personal income tax refunds paid by thirty-nine states grew by 5.6 percent in the first quarter of 2014 compared to the same quarter of 2013. In total, these thirty-nine early reporting states paid out about $1.3 billion more in refunds in the January-March quarter of 2014 than in 2013. Overall, twenty-seven states paid out more refunds while twelve states paid out less refunds in the first quarter of 2014 compared to the same quarter of 2013.

General Sales Tax

State sales tax collections in the January-March 2014 quarter showed growth of 1.7 percent from the same period in 2013. This is the seventeenth quarter in a row that sales tax collections rose. Sales tax collections showed growth in all but Plains region, where collections declined by 16.6 percent. The declines in the Plains region are mostly attributable to a single state of Minnesota, where sales tax collections showed large declines, mostly due to changes in the states' accounting system. The New England and Rocky Mountain regions reported the largest increases in sales tax collections at 6.8 and 5.1 percent, respectively.

Thirty-two of forty-five states with broad-based sales taxes reported growth in collections for the quarter. Thirteen states reported declines in sales tax collections in the first quarter of 2014, with Minnesota and Michigan reporting the largest declines at 43.1 and 6.7 percent, respectively. Three states — Nebraska, Maine, and Wyoming — reported double-digit growth in sales tax collections at 11.4, 12.5 and 13.8 percent, respectively.

After seventeen consecutive quarters of growth, state sales tax revenues were 9.9 percent higher in the first quarter of 2014 compared to the same quarter of 2008. However, if we adjust the numbers for inflation, sales tax receipts show only 0.6 percent growth in the first quarter of 2014 compared to the same quarter of 2008.

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 experience large fluctuations in percentage terms. For all these reasons, there is often significant variation in states' gains or losses for this tax.

Corporate tax revenue increased by 1.4 percent in the first quarter of 2014 compared to a year earlier. All regions but the Southwest and Mid-Atlantic reported growth in corporate income tax collections in the first quarter of 2014, where collections declined by 19.6 and 12.5 percent, respectively. The Plains and New England regions reported the largest growth at 21.1 and 13.7 percent, respectively.

Among forty-six states that have a corporate income tax, twenty-four reported growth, with sixteen enjoying double-digit gains. Twenty-two states reported declines for the first quarter of 2014 compared to the same quarter of the previous year, of which seventeen states reported double-digit declines. The largest decline in terms of dollar value was reported in New York, where corporate income tax collections fell by $576 million, or 32.3 percent. The largest growth in dollars was in California, where corporate income tax collections grew by $200 million, or 11.9 percent.

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 smaller tax sources showed a mixed picture in the first quarter of 2014. The motor fuel sales tax, the most significant of the smaller taxes, showed a 1.9 percent growth for the nation, which is the second consecutive quarter of growth. State property taxes, a relatively small revenue source for states, grew by 0.1 percent. Collections from tobacco product sales taxes declined for the eleventh consecutive quarter, by 2.7 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 0.5 and 1 percent, respectively, in the first quarter of 2014.

Underlying Reasons for Trends

State revenue changes result from three kinds of underlying forces: state-level changes in the economy (which often differ from national trends), the different ways in which economic changes affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

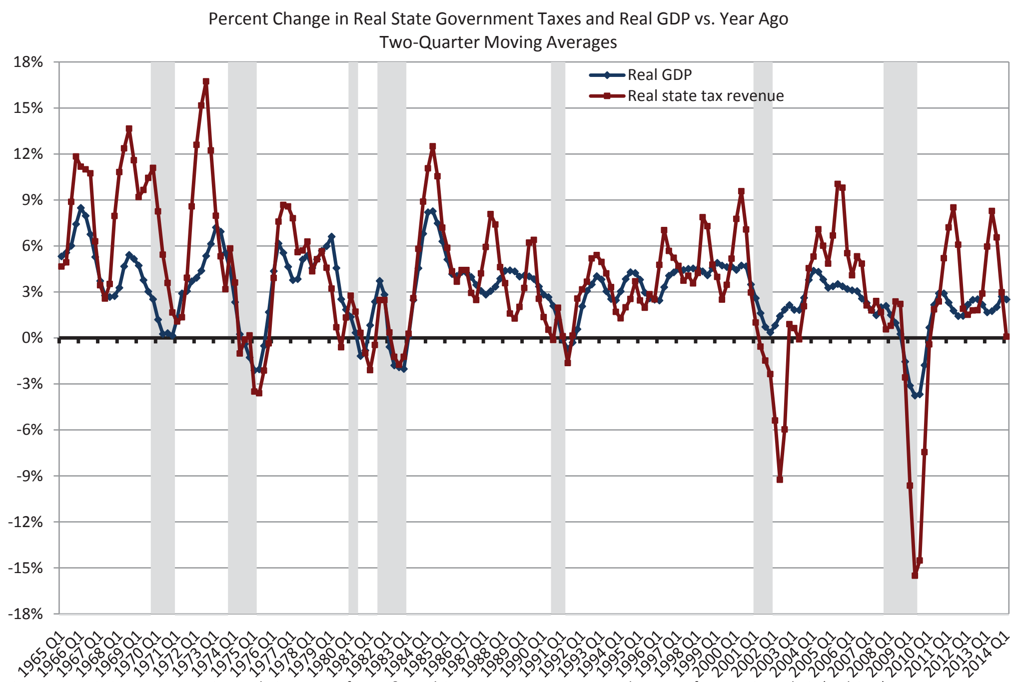
Table 5. Real Percent Change in State Taxes Other Than PIT, CIT, and General Sales Taxes

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
Nominal collections (mlns), last 12 months	$13,223	$42,498	$16,892	$6,055	$25,874	$136,815
2014 Q1	0.1	1.9	(2.7)	0.5	1.0	2.8
2013 Q4	1.3	0.6	(2.3)	(1.2)	0.6	6.3
2013 Q3	0.9	(0.0)	(0.8)	(2.4)	(0.1)	5.5
2013 Q2	(1.2)	(0.6)	(3.2)	(1.7)	(0.9)	4.8
2013 Q1	(3.2)	(0.7)	(2.5)	0.1	0.4	4.5
2012 Q3	(4.7)	(0.2)	(2.4)	2.3	2.1	2.6
2012 Q3	(9.2)	(0.4)	(3.3)	3.5	3.2	3.6
2012 Q2	(10.5)	(1.2)	(2.2)	3.1	3.1	4.6
2012 Q1	(10.7)	0.1	(2.5)	0.7	2.1	7.5
2011 Q4	(11.0)	2.9	(1.8)	(0.5)	1.8	11.8
2011 Q3	(7.6)	5.6	(1.0)	0.5	0.3	12.1
2011 Q2	(3.9)	8.7	0.7	1.5	1.5	12.3
2011 Q1	2.4	8.2	2.7	3.1	3.3	9.3
2010 Q4	8.1	5.3	3.1	3.2	4.0	7.4
2010 Q3	13.3	2.4	2.2	3.0	5.6	4.3
2010 Q2	13.4	0.7	0.6	2.2	3.9	(2.3)
2010 Q1	9.9	(0.8)	(1.1)	0.8	1.5	(9.1)
2009 Q4	6.1	(1.9)	(1.5)	0.6	0.2	(13.6)
2009 Q3	(0.5)	(3.1)	0.4	0.1	(1.2)	(13.3)
2009 Q2	(2.0)	(5.3)	1.3	(0.1)	(0.9)	(6.7)
2009 Q1	(3.7)	(5.9)	2.6	0.4	(0.4)	3.9
2008 Q4	(2.8)	(4.9)	3.1	0.5	(1.1)	7.5
2008 Q3	1.8	(3.3)	3.5	(0.1)	(0.5)	9.9
2008 Q2	3.4	(1.7)	5.9	0.6	(0.3)	7.8
2008 Q1	4.1	(1.2)	6.2	0.6	(1.0)	3.4
2007 Q4	3.6	(1.7)	6.2	0.6	(0.4)	2.4
2007 Q3	1.6	(0.6)	4.0	1.7	(0.8)	(0.3)
2007 Q2	(0.1)	(1.1)	0.6	1.5	(0.8)	(1.2)
2007 Q1	1.8	0.1	1.7	0.7	0.6	(0.9)
2006 Q4	0.3	0.8	2.8	1.2	1.1	(0.2)
2006 Q3	(0.2)	(1.0)	5.5	1.3	1.0	2.1
2006 Q2	(0.0)	1.5	9.1	1.3	0.8	4.3
2006 Q1	0.9	1.6	7.0	2.5	0.2	5.3
2005 Q4	2.0	2.2	5.5	1.7	0.4	7.2
2005 Q3	3.5	3.7	4.3	(0.1)	2.0	6.4
2005 Q2	3.6	1.0	2.2	(0.5)	2.8	5.0
2005 Q1	1.8	1.5	3.0	(2.3)	3.7	5.8
2004 Q4	(4.8)	1.7	3.6	(1.4)	5.6	6.1
2004 Q3	(2.3)	1.6	3.6	0.1	6.1	7.6
2004 Q2	3.6	2.2	4.9	0.5	6.7	9.0
2004 Q1	1.1	0.5	10.6	4.4	5.6	7.6
2003 Q4	8.7	(0.9)	17.2	4.1	4.0	5.7
2003 Q3	5.7	(1.1)	26.3	2.4	2.9	3.9
2003 Q2	(0.9)	(0.3)	35.9	3.2	2.8	2.7
2003 Q1	(4.9)	0.8	27.2	0.7	3.7	2.3
2002 Q4	(4.8)	1.1	17.3	0.0	2.9	2.1
2002 Q3	(6.7)	0.7	5.6	2.7	2.6	2.6
2002 Q2	(4.3)	1.2	(5.9)	(0.1)	0.6	3.4
2002 Q1	5.1	1.7	(5.0)	(0.2)	(1.2)	2.1
2001 Q4	2.7	2.5	(1.5)	0.5	(2.9)	2.5
2001 Q3	(0.4)	3.4	2.5	(1.4)	(3.4)	1.4
2001 Q2	(5.1)	2.4	7.5	1.6	(0.7)	0.8
2001 Q1	(12.6)	1.1	8.3	1.3	2.3	3.5

Source: U.S. Census Bureau.

Figure 4. State Tax Revenue Is More Volatile Than the Economy



Sources: U. S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (real GDP).
Notes: (1) Percentage changes averaged over 2 quarters; (2) No legislative adjustments; (3) Recession periods are shaded.

Economic Changes

Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income rises, the sales tax generates more revenue 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 short-term fluctuations and illustrate the interplay between the economy and state revenues.

Tax revenue is usually related to economic growth. As shown in Figure 4, in the first quarter of 2014, real state tax revenue showed 0.1 percent growth on this moving-average basis. This was the sixteenth consecutive quarter of growth. Real Gross Domestic Product (GDP) showed growth for the seventeenth consecutive quarter at 2.5 percent. Postrecession growth in real GDP has been fairly weak, varying between 0.7 and 2.7 percent.

Yet there is volatility in tax revenue that is not explained by real GDP, a broad measure of the economy. Throughout 2011, state tax revenue has risen significantly while the overall economy has been growing at a relatively slow pace in the wake of the Great Recession. Also, in much of 2009 and 2010, state revenue declines were much larger than the quarterly reductions in real GDP. Thus, although the growth rate in state tax revenues was not far from the growth rate in the overall economy throughout 2012, state tax revenues have been more volatile than the general economy in prior years as well as throughout 2013 and early 2014. The volatility in state tax revenues in the last few quarters is at least partially attributable to the impact of the fiscal cliff.

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. Instead, like other researchers, the Rockefeller Institute relies partly on employment data from the Bureau of Labor Statistics to examine state-by-state economic

Table 6. Nonfarm Employment, By State

Last Four Quarters, Year-Over-Year Percent Change

	2013		2014	
	July-Sep	Oct-Dec	Jan-March	April-June
United States	**1.8**	**1.6**	**1.6**	**1.7**
New England	**1.1**	**1.1**	**1.2**	**1.2**
Connecticut	1.0	0.8	0.6	0.7
Maine	0.8	1.0	1.4	1.1
Massachusetts	1.3	1.4	1.4	1.5
New Hampshire	0.7	0.7	1.2	1.3
Rhode Island	1.3	1.1	1.4	1.3
Vermont	0.0	0.7	1.1	(0.0)
Mid-Atlantic	**1.1**	**0.9**	**0.7**	**0.9**
Delaware	2.1	2.1	2.1	2.7
Maryland	0.8	0.6	0.4	0.9
New Jersey	1.3	0.9	(0.0)	0.2
New York	1.4	1.2	1.3	1.2
Pennsylvania	0.4	0.4	0.4	0.8
Great Lakes	**1.2**	**1.2**	**0.9**	**1.0**
Illinois	0.6	0.9	0.6	0.5
Indiana	1.1	1.5	1.3	2.0
Michigan	1.7	1.5	0.6	0.7
Ohio	1.5	1.0	1.1	0.9
Wisconsin	1.2	1.2	1.3	1.8
Plains	**1.5**	**1.6**	**1.5**	**1.6**
Iowa	1.6	1.8	1.5	1.6
Kansas	1.5	1.5	1.1	1.0
Minnesota	1.6	1.7	1.7	1.6
Missouri	1.4	1.5	1.4	1.6
Nebraska	1.2	0.8	1.1	1.0
North Dakota	3.1	3.6	3.9	4.8
South Dakota	0.9	0.4	0.7	0.9
Southeast	**1.7**	**1.6**	**1.6**	**1.8**
Alabama	1.0	1.0	1.0	0.5
Arkansas	0.0	0.5	0.9	1.3
Florida	2.7	2.7	3.0	3.1
Georgia	2.3	1.9	1.7	1.9
Kentucky	1.0	0.3	0.1	0.9
Louisiana	1.5	1.5	0.9	1.0
Mississippi	0.7	1.4	0.8	1.0
North Carolina	1.8	1.9	1.7	1.9
South Carolina	2.2	2.2	2.2	2.0
Tennessee	1.3	1.3	1.7	2.1
Virginia	0.8	0.1	0.1	0.2
West Virginia	(0.0)	(0.1)	0.3	1.7
Southwest	**2.5**	**2.2**	**2.4**	**2.7**
Arizona	2.2	1.8	2.0	1.5
New Mexico	0.8	(0.6)	(0.3)	(0.1)
Oklahoma	1.2	0.8	1.4	1.9
Texas	2.9	2.7	2.9	3.3
Rocky Mountain	**2.8**	**2.4**	**2.4**	**2.3**
Colorado	3.2	2.8	2.9	2.8
Idaho	2.7	1.6	1.1	0.8
Montana	1.7	1.3	1.0	1.1
Utah	3.2	2.8	2.7	3.0
Wyoming	0.5	0.8	1.2	0.8
Far West	**3.0**	**2.4**	**2.4**	**2.3**
Alaska	0.7	(0.4)	0.7	(0.1)
California	3.3	2.5	2.4	2.3
Hawaii	1.5	1.5	1.4	0.9
Nevada	2.8	3.2	3.8	3.7
Oregon	2.2	2.4	2.9	2.8
Washington	2.4	1.9	2.1	2.1

Source: Bureau of Labor Statistics (CES, seasonally unadjusted).

conditions. These data are relatively timely and are of high quality. Table 6 shows year-over-year employment growth over the last four quarters, including the second quarter of 2014. For the nation as a whole, employment grew by 1.6 and 1.7 percent, respectively, in the first and second quarters of 2014 compared to the same quarters of 2013. On a year-over-year basis, employment grew in all states but Alaska, New Mexico, and Vermont in the second quarter of 2014. Among individual states, North Dakota reported the largest growth at 4.8 percent in the second quarter of 2014. In total, eleven states reported growth of over 2.0 percent in the second quarter of 2014.

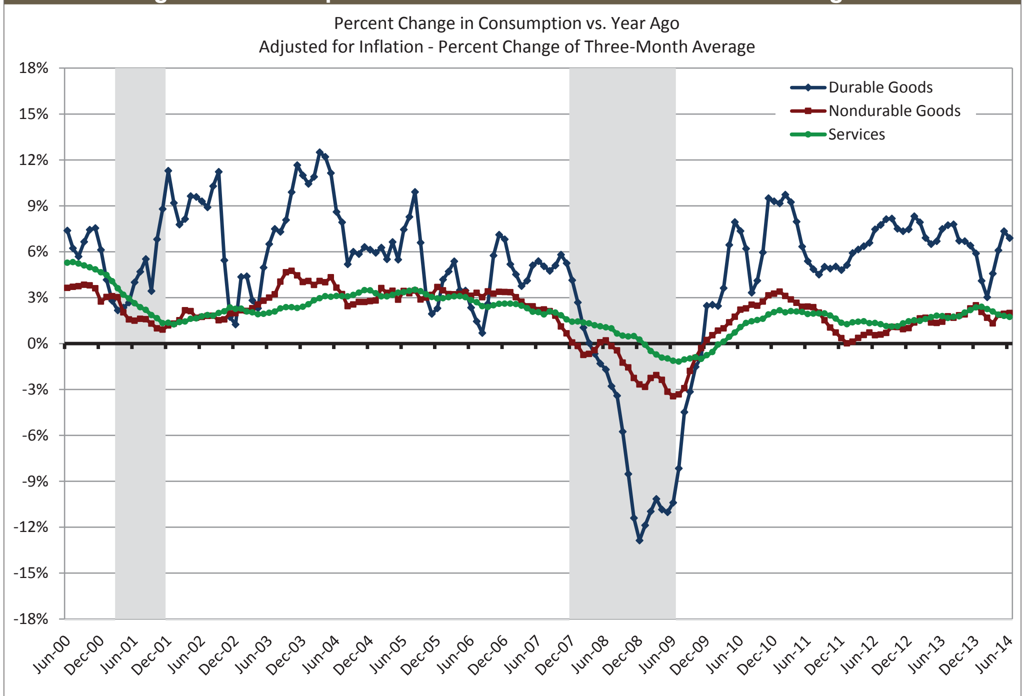
All regions reported growth in employment in the second quarter of 2014, but job gains are not evenly distributed among the regions. The Mid-Atlantic region reported the weakest growth in employment at 0.9 percent. The Southwest and Rocky Mountain regions reported the largest increase in employment at 2.7 and 2.3 percent, respectively. These employment data are compared to the same period a year ago rather than to preceding months.

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.[5] These indexes can be used to measure the scope of economic decline or growth.

The analysis of coincident indexes indicates that, as of June 2014, economic activity nationwide increased by 0.9 percent compared to three months earlier and by 3.2 percent compared to a year earlier. At the state level, forty-six states reported growth in economic activity compared to three months earlier. The number of states reporting declines in economic activity has been rather stable throughout 2013 and the first half of 2014 and varied between zero to six in the last eighteen months. The data underlying these indexes are subject to revision, and so tentative conclusions drawn now could change at a later date.

Figure 5 shows national consumption of durable goods, nondurable goods, and services — factors likely to be related to sales tax revenues. The decline in consumption of durable and nondurable goods during the recent downturn was much sharper than in the last recession. Consumption of nondurable goods and services remained relatively stagnant in the last few

Figure 5. Consumption of Services and Nondurable Goods Is Stagnant

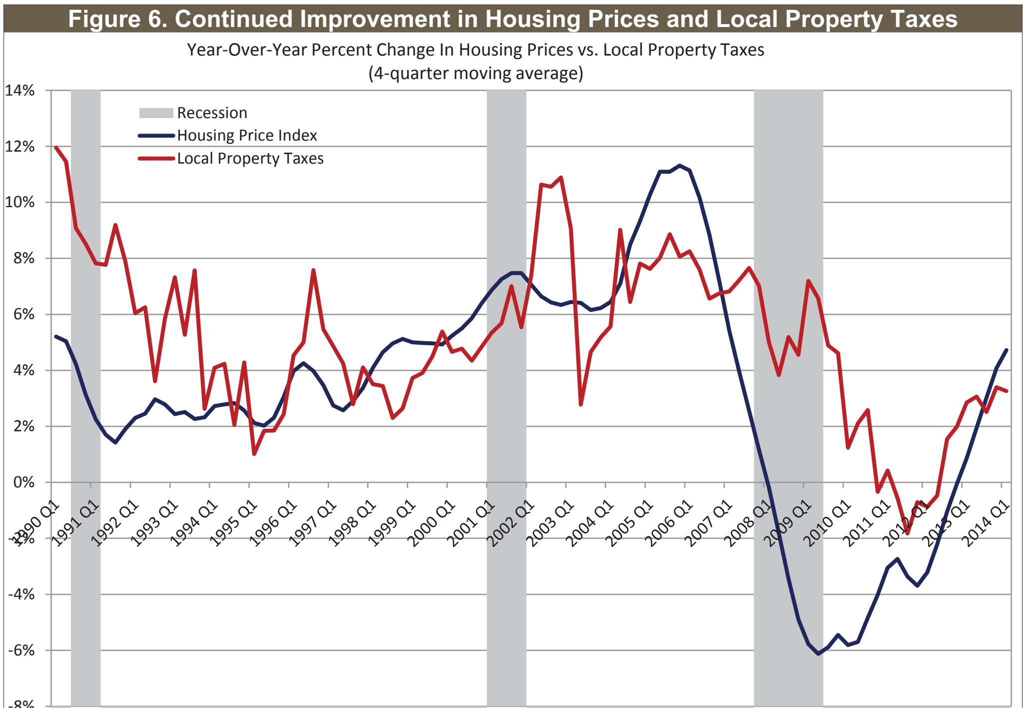


Source: U. S. Bureau of Economic Analysis , National Income and Product Accounts, Table 2.8.6.

months. Growth in the consumption of durable goods, an important element of state sales tax bases, has been relatively volatile in the most recent months, trending downward in the second half of 2013 and upward in the first half of 2014.

Figure 6 shows the year-over-year percent change in the four-quarter moving average housing price index and local property taxes for the nation from the first quarter of 1990 through the first quarter of 2014. Declines in housing prices usually lead to declines in property taxes with some lag. The deep declines in housing prices caused by the Great Recession led to significant reductions in property taxes in the past two years.[6]

Figure 6. Continued Improvement in Housing Prices and Local Property Taxes



Source: U.S. Census Bureau Quarterly Summary of State and Local Government Tax Revenue and Federal Housing Finance Agency, House Price Indexes data (All Transactions).

As Figure 6 shows, the housing price index began moving downward around mid-2005, with steeply negative movement from the last quarter of 2005 through the second quarter of 2009. The trend in the housing price index has been generally upward since mid-2009 and strengthened continuously throughout the first quarter of 2014. In the first quarter of 2014, the housing price index showed growth at 4.7 percent. This is the fifth consecutive quarter of

Table 7. State Tax Revenue, January-March 2013 and 2014 ($ in millions)

	January-March 2013				January-March 2014			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**73,519**	**10,205**	**64,019**	**207,496**	**72,617**	**10,348**	**65,081**	**206,958**
New England	**5,135**	**1,068**	**2,672**	**12,062**	**5,402**	**1,215**	**2,854**	**12,553**
Connecticut	1,795	208	879	3,784	1,843	141	954	3,759
Maine	279	33	240	775	237	34	270	771
Massachusetts	2,748	634	1,252	5,594	2,991	834	1,326	6,049
New Hampshire	16	121	NA	826	15	125	NA	849
Rhode Island	189	47	208	642	194	53	210	671
Vermont	108	25	92	440	123	29	93	453
Mid-Atlantic	**20,301**	**2,799**	**8,317**	**43,976**	**20,884**	**2,448**	**8,443**	**43,553**
Delaware	346	73	NA	884	385	59	NA	915
Maryland	1,952	213	1,005	4,350	1,981	223	1,000	4,351
New Jersey	3,052	287	2,089	7,050	3,083	447	2,071	7,278
New York	12,434	1,781	3,026	21,647	12,870	1,205	3,177	20,939
Pennsylvania	2,516	445	2,196	10,045	2,565	513	2,196	10,071
Great Lakes	**10,038**	**1,658**	**8,716**	**28,541**	**9,765**	**1,701**	**8,819**	**28,393**
Illinois	4,345	1,028	1,963	9,833	4,506	1,105	1,970	10,046
Indiana	1,013	(6)	1,687	3,780	1,039	79	1,697	3,855
Michigan	1,511	206	1,972	5,190	1,249	266	1,840	4,454
Ohio	2,062	151	2,063	6,472	1,682	13	2,252	6,604
Wisconsin	1,106	279	1,032	3,266	1,289	238	1,060	3,434
Plains	**4,991**	**564**	**5,232**	**15,223**	**5,083**	**683**	**4,362**	**14,407**
Iowa	721	66	603	1,897	691	95	641	1,919
Kansas	509	38	711	1,645	508	73	688	1,699
Minnesota	2,175	302	2,214	6,244	2,130	348	1,259	5,226
Missouri	1,079	43	798	2,512	1,140	36	795	2,536
Nebraska	379	69	411	991	506	83	458	1,213
North Dakota	129	40	282	1,561	108	42	300	1,423
South Dakota	NA	5	214	374	NA	6	222	392
Southeast	**9,979**	**1,757**	**15,314**	**38,418**	**9,909**	**1,887**	**15,920**	**39,176**
Alabama	740	107	564	2,293	773	74	569	2,206
Arkansas	489	103	699	1,753	507	99	766	1,837
Florida	NA	422	5,417	9,026	NA	394	5,832	9,201
Georgia	1,655	193	1,350	3,826	1,775	234	1,265	4,086
Kentucky	750	103	737	2,488	768	98	761	2,565
Louisiana	524	(25)	739	2,008	550	88	741	2,246
Mississippi	333	159	785	1,787	321	193	817	1,796
North Carolina	2,403	218	1,330	5,341	2,147	223	1,432	5,185
South Carolina	321	105	720	1,569	325	108	726	1,622
Tennessee	21	274	1,767	3,041	19	222	1,837	3,057
Virginia	2,377	63	888	4,077	2,350	121	871	4,149
West Virginia	365	34	318	1,207	375	32	304	1,228
Southwest	**1,194**	**331**	**8,850**	**17,844**	**1,413**	**266**	**9,296**	**18,905**
Arizona	461	109	1,491	2,788	521	110	1,465	2,841
New Mexico	217	73	506	1,303	317	43	525	1,379
Oklahoma	516	148	612	1,894	576	112	631	1,954
Texas	NA	NA	6,240	11,859	NA	NA	6,675	12,731
Rocky Mountain	**2,075**	**207**	**1,532**	**5,563**	**2,242**	**212**	**1,611**	**5,920**
Colorado	1,184	89	588	2,492	1,245	118	641	2,708
Idaho	220	31	318	756	242	20	325	762
Montana	182	23	NA	537	205	16	NA	545
Utah	489	63	460	1,319	550	58	454	1,391
Wyoming	NA	NA	166	458	NA	NA	189	514
Far West	**19,807**	**1,821**	**13,387**	**45,872**	**17,919**	**1,937**	**13,775**	**44,051**
Alaska	NA	29	NA	995	NA	(28)	NA	321
California	18,237	1,682	8,941	34,913	16,214	1,881	9,116	33,391
Hawaii	351	19	758	1,471	347	11	747	1,465
Nevada	NA	NA	920	1,805	NA	NA	965	1,860
Oregon	1,219	92	NA	1,840	1,358	73	NA	2,008
Washington	NA	NA	2,768	4,847	NA	NA	2,948	5,008

Source: U.S. Census Bureau.

Table 8. Quarterly Tax Revenue By Major Tax
January-March, 2013-2014, Percent Change

	PIT	CIT	Sales	Total
United States	**(1.2)**	**1.4**	**1.7**	**(0.3)**
New England	**5.2**	**13.7**	**6.8**	**4.1**
Connecticut	2.7	(32.3)	8.5	(0.7)
Maine	(15.1)	2.4	12.5	(0.5)
Massachusetts	8.8	31.5	5.9	8.1
New Hampshire	(10.2)	3.5	NA	2.7
Rhode Island	2.4	11.9	1.4	4.5
Vermont	14.6	14.6	0.5	3.0
Mid-Atlantic	**2.9**	**(12.5)**	**1.5**	**(1.0)**
Delaware	11.0	(18.2)	NA	3.4
Maryland	1.5	4.7	(0.6)	0.0
New Jersey	1.0	55.9	(0.9)	3.2
New York	3.5	(32.3)	5.0	(3.3)
Pennsylvania	1.9	15.2	(0.0)	0.3
Great Lakes	**(2.7)**	**2.6**	**1.2**	**(0.5)**
Illinois	3.7	7.4	0.4	2.2
Indiana	2.5	(1,370.7)	0.6	2.0
Michigan	(17.3)	28.9	(6.7)	(14.2)
Ohio	(18.4)	(91.5)	9.2	2.0
Wisconsin	16.6	(14.5)	2.8	5.1
Plains	**1.8**	**21.1**	**(16.6)**	**(5.4)**
Iowa	(4.1)	42.6	6.3	1.2
Kansas	(0.1)	92.5	(3.3)	3.3
Minnesota	(2.1)	15.4	(43.1)	(16.3)
Missouri	5.6	(16.4)	(0.4)	1.0
Nebraska	33.5	20.7	11.4	22.3
North Dakota	(16.0)	2.8	6.4	(8.8)
South Dakota	NA	13.3	3.8	4.9
Southeast	**(0.7)**	**7.4**	**4.0**	**2.0**
Alabama	4.4	(30.6)	1.0	(3.8)
Arkansas	3.6	(3.6)	9.5	4.8
Florida	NA	(6.6)	7.7	1.9
Georgia	7.2	21.3	(6.3)	6.8
Kentucky	2.4	(5.2)	3.3	3.1
Louisiana	4.9	(454.2)	0.2	11.8
Mississippi	(3.6)	21.6	4.1	0.5
North Carolina	(10.7)	2.1	7.6	(2.9)
South Carolina	1.2	3.0	0.8	3.3
Tennessee	(10.9)	(18.8)	4.0	0.5
Virginia	(1.2)	91.5	(2.0)	1.8
West Virginia	2.9	(7.4)	(4.3)	1.7
Southwest	**18.4**	**(19.6)**	**5.0**	**5.9**
Arizona	13.0	0.6	(1.7)	1.9
New Mexico	45.7	(40.4)	3.8	5.8
Oklahoma	11.6	(24.3)	3.1	3.2
Texas	NA	NA	7.0	7.4
Rocky Mountain	**8.1**	**2.3**	**5.1**	**6.4**
Colorado	5.2	32.6	9.2	8.7
Idaho	10.2	(36.5)	2.3	0.8
Montana	12.7	(32.2)	NA	1.4
Utah	12.5	(8.2)	(1.2)	5.5
Wyoming	NA	NA	13.8	12.1
Far West	**(9.5)**	**6.4**	**2.9**	**(4.0)**
Alaska	NA	(197.9)	NA	(67.8)
California	(11.1)	11.9	2.0	(4.4)
Hawaii	(1.3)	(45.4)	(1.5)	(0.4)
Nevada	NA	NA	4.9	3.0
Oregon	11.4	(20.3)	NA	9.1
Washington	NA	NA	6.5	3.3

Source: U.S. Census Bureau.

growth, after twenty consecutive quarterly declines, which is highly encouraging. Figure 6 also shows that the decline in local property taxes lagged behind the decline in housing prices. The first-quarter moving average of year-over- year change in local property taxes showed 3.3 percent growth in the first quarter of 2014, marking seven consecutive quarters of growth.

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 2014 quarter, enacted tax increases and decreases produced an estimated loss of $646 million compared to the same period in 2013.[7] Enacted tax changes decreased personal income tax by approximately $380 million, decreased sales tax by $13 million, increased corporate income taxes by $29 million, increased cigarette taxes by $129 million, and decreased some other taxes by $400 million.

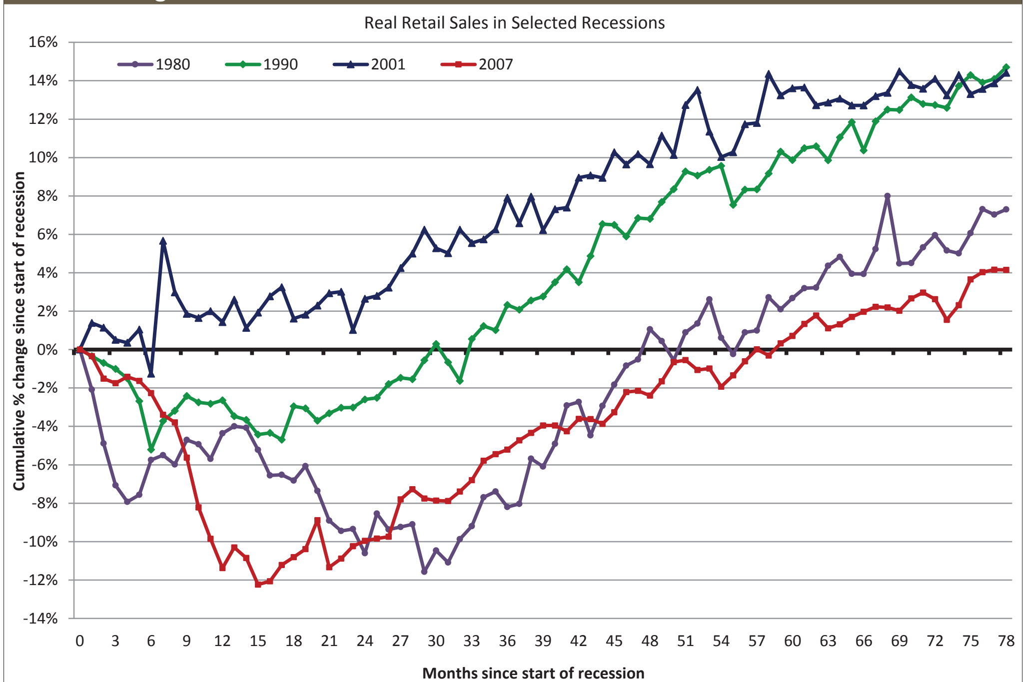
Among the enacted personal income tax changes, the most noticeable ones are the increase of tax rates in Minnesota for higher income taxpayers, and the decrease of tax rates in North Carolina, Ohio, and Wisconsin. In Ohio alone, the legislated tax changes are estimated to cause a $1.6 billion loss in fiscal year 2014. Other major noticeable tax changes were the expiration of a temporary increase in sales tax in Arizona, sales tax rate increases in Ohio and Virginia, and cigarette and tobacco tax increases in Massachusetts and Minnesota.

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 7 shows the cumulative percentage change in inflation-adjusted retail sales in the seventy-eight months following the start of each recession from 1980 forward.[8] 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 1980 recession also were quite sharp. While real retail sales have been rising continuously from their lows in the last five years, at the end of June 2014 they were only 4.1 percent above the pre-recession levels.

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 8 shows the cumulative percentage change in nonfarm

Figure 7. Real Retail Sales Are Now Above the Prerecession Levels



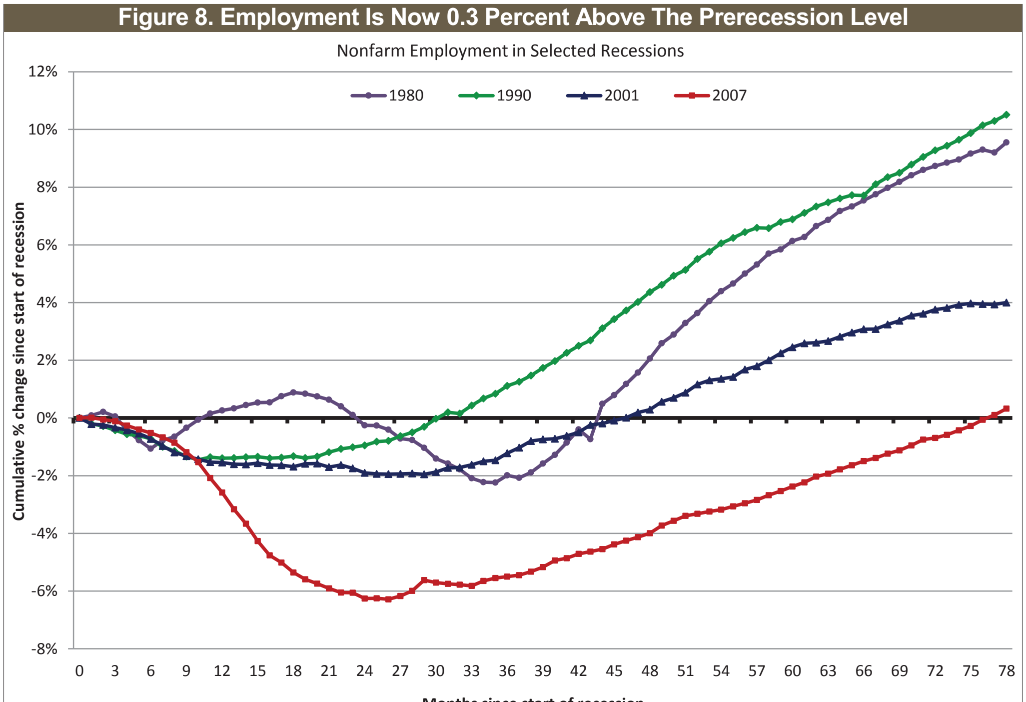
Sources: Cleveland Federal Reserve Bank (pre-1990 retail sales), Census Bureau (1990+), and Bureau of Labor Statistics (CPI).

employment for the nation as a whole in the seventy-eight months following the start of each recession from 1980 forward.[9] The last point for the 2007 recession is June 2014, month seventy-eight. The employment finally attained its prerecession peak levels in the months of May and June of 2014. However, as the graph shows, the 0.3 percent employment growth as of June 2014 is still far worse than the trends seen in and around previous recessions. The trends depicted in Figure 8 suggest that the pace of employment is extraordinarily weak.

The Outlook for State Fiscal Year 2014

Through the first three quarters of fiscal 2014, states collected $604.2 billion in total tax revenues, a gain of 2.8 percent from $587.9 billion in the same period of fiscal 2013, according to Census data (see Tables 9 and 10). The personal income tax and sales tax both showed growth at 1.3 and 4.3 percent, respectively, in the first three quarters of fiscal 2014 compared to the same period of 2013, and corporate income tax increased by 1.9 percent. All regions reported growth in overall tax collections in the first three quarters of fiscal 2014, with the Southwest region reporting the

Figure 8. Employment Is Now 0.3 Percent Above The Prerecession Level



Source: Bureau of Labor Statistics (CES, seasonally adjusted).

largest growth at 5.2 percent, while the Mid-Atlantic region reporting the weakest growth at 1.0 percent.

Among individual states, forty-three states reported growth in the first three quarters of fiscal 2014 while seven states reported declines. The largest growth for the first three quarters of fiscal 2014 was reported in North Dakota at 18.6 percent, while the largest decline was reported in Alaska at 41.7 percent. Thirty-seven of forty-five states with broad-based sales tax collections reported growth in sales tax collections, with three states reporting double-digit growth. Finally, twenty-nine states reported growth in personal income tax collections while fourteen states reported declines.

Preliminary data for the April-June quarter of 2014 suggest that states might report a decline in overall tax collections and in the personal income tax. With early data for April-June 2014 now available for thirty-six states, total tax revenues declined by 0.8 percent compared to the same period of 2013, personal income tax collections declined by 6.5 percent, and sales tax collections grew by 4.5 percent.

Starting at the end of calendar year 2008 and extending through 2009, states suffered five straight quarters of decline in tax revenues, followed by uninterrupted growth throughout the last quarter of 2013. While states reported declines in the first quarter of 2014, such decline is not necessarily an indication of slowing overall economy, and is partially attributable to the disappearance of the temporary shifts in income tax collections driven by the fiscal cliff, as discussed in earlier Rockefeller Institute *Revenue Reports*. Still, the recovery in state fiscal conditions has been extremely long and muted, in part because the economic recovery has been weak and in part because states do not tax the broad economy. Overall, state tax systems are much more reliant on narrower and more volatile forms of economic activity. Moreover, state tax revenues became more volatile in the last decade. The temporary solutions to address budget shortfalls caused by the Great Recession, as well as federal actions related to the "fiscal cliff" and sequestration, led to further growth in revenue volatility. In many states, officials have been puzzled with the uncertainty and are facing challenges in forecasting revenues due to growing revenue volatility driven by uncontrollable factors.

Table 9. State Tax Revenue, FYTD 2013 and FYTD 2014 ($ in millions)

	July 2012-March 2013				July 2013-March 2014			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**208,611**	**27,686**	**183,946**	**587,899**	**211,233**	**28,208**	**191,768**	**604,231**
New England	**14,973**	**2,354**	**7,878**	**33,521**	**15,708**	**2,709**	**8,413**	**35,115**
Connecticut	4,388	322	2,397	9,384	4,532	412	2,589	9,725
Maine	965	104	716	2,515	901	113	791	2,523
Massachusetts	8,445	1,384	3,842	16,391	9,034	1,661	4,083	17,563
New Hampshire	40	368	NA	1,745	36	375	NA	1,708
Rhode Island	732	97	658	2,064	759	77	680	2,110
Vermont	403	80	265	1,423	445	71	270	1,486
Mid-Atlantic	**50,045**	**7,250**	**24,032**	**111,451**	**50,896**	**6,547**	**24,911**	**112,543**
Delaware	908	196	NA	2,340	977	164	NA	2,356
Maryland	4,944	610	2,703	11,994	5,098	577	2,735	12,613
New Jersey	7,410	1,190	5,347	17,842	7,641	1,370	5,607	18,794
New York	29,596	3,894	9,123	54,639	29,837	2,956	9,608	53,906
Pennsylvania	7,188	1,361	6,859	24,636	7,343	1,481	6,960	24,873
Great Lakes	**31,321**	**4,587**	**26,349**	**87,716**	**31,490**	**4,719**	**27,570**	**89,949**
Illinois	11,185	2,698	6,060	27,107	11,680	2,931	6,301	28,584
Indiana	3,222	424	5,042	11,979	3,294	494	5,159	12,186
Michigan	5,929	607	6,308	19,191	5,646	604	6,223	18,558
Ohio	6,510	203	6,078	18,877	6,134	(6)	6,854	19,571
Wisconsin	4,475	655	2,860	10,563	4,737	696	3,033	11,051
Plains	**15,527**	**1,816**	**13,167**	**42,639**	**15,705**	**2,005**	**13,215**	**43,904**
Iowa	2,135	223	1,658	5,381	2,120	218	1,768	5,443
Kansas	2,017	250	2,164	5,433	1,628	252	2,176	5,197
Minnesota	6,199	834	4,161	16,056	6,489	972	3,825	16,194
Missouri	3,560	184	2,342	7,775	3,716	191	2,428	8,005
Nebraska	1,285	186	1,231	3,164	1,440	210	1,330	3,470
North Dakota	331	119	965	3,706	312	144	996	4,396
South Dakota	NA	21	646	1,125	NA	18	692	1,199
Southeast	**35,196**	**5,471**	**44,458**	**119,017**	**35,630**	**5,808**	**45,893**	**122,624**
Alabama	2,207	252	1,707	6,604	2,304	209	1,747	6,590
Arkansas	1,768	270	2,114	6,019	1,813	277	2,344	6,362
Florida	NA	1,392	15,344	25,859	NA	1,286	16,161	26,701
Georgia	6,293	495	3,942	12,488	6,538	628	3,685	13,326
Kentucky	2,563	406	2,249	7,866	2,625	422	2,319	8,040
Louisiana	1,954	70	2,151	6,563	2,079	323	2,241	7,385
Mississippi	1,167	286	2,190	5,081	1,122	404	2,305	5,260
North Carolina	7,889	716	4,137	16,840	7,744	809	4,329	16,973
South Carolina	2,415	245	1,960	5,905	2,468	241	1,917	5,920
Tennessee	36	744	5,226	8,837	29	651	5,414	8,957
Virginia	7,700	431	2,495	13,107	7,713	414	2,504	13,257
West Virginia	1,205	163	943	3,847	1,194	145	928	3,851
Southwest	**5,134**	**906**	**26,634**	**53,617**	**5,217**	**724**	**27,305**	**56,405**
Arizona	2,318	404	4,331	9,285	2,440	361	3,995	9,001
New Mexico	846	119	1,177	3,328	757	109	1,215	3,511
Oklahoma	1,970	383	1,887	6,144	2,019	253	1,926	6,266
Texas	NA	NA	19,239	34,860	NA	NA	20,169	37,627
Rocky Mountain	**6,904**	**775**	**4,743**	**17,452**	**7,303**	**777**	**4,897**	**18,212**
Colorado	3,665	374	1,799	7,762	3,830	430	1,927	8,274
Idaho	811	105	992	2,458	879	107	1,025	2,542
Montana	661	106	NA	1,713	705	77	NA	1,750
Utah	1,767	190	1,414	4,269	1,888	163	1,368	4,350
Wyoming	NA	NA	538	1,250	NA	NA	578	1,296
Far West	**49,511**	**4,526**	**36,686**	**122,488**	**49,284**	**4,918**	**39,563**	**125,479**
Alaska	NA	361	NA	3,636	NA	197	NA	2,120
California	44,078	3,794	24,048	90,310	43,579	4,339	26,416	93,645
Hawaii	1,220	52	2,188	4,347	1,210	90	2,084	4,364
Nevada	NA	NA	2,083	4,019	NA	NA	2,189	4,214
Oregon	4,213	319	NA	6,217	4,495	292	NA	6,514
Washington	NA	NA	8,367	13,959	NA	NA	8,874	14,622

Source: U.S. Census Bureau.

Table 10. FYTD Tax Revenue by Major Tax

FYTD 2013 vs. FYTD 2014, Percent Change

	PIT	CIT	Sales	Total
United States	**1.3**	**1.9**	**4.3**	**2.8**
New England	**4.9**	**15.1**	**6.8**	**4.8**
Connecticut	3.3	27.9	8.0	3.6
Maine	(6.6)	8.5	10.5	0.3
Massachusetts	7.0	20.1	6.3	7.1
New Hampshire	(8.9)	1.9	NA	(2.1)
Rhode Island	3.7	(20.7)	3.3	2.3
Vermont	10.5	(10.6)	1.8	4.4
Mid-Atlantic	**1.7**	**(9.7)**	**3.7**	**1.0**
Delaware	7.6	(16.1)	NA	0.7
Maryland	3.1	(5.5)	1.2	5.2
New Jersey	3.1	15.1	4.9	5.3
New York	0.8	(24.1)	5.3	(1.3)
Pennsylvania	2.2	8.8	1.5	1.0
Great Lakes	**0.5**	**2.9**	**4.6**	**2.5**
Illinois	4.4	8.6	4.0	5.5
Indiana	2.2	16.3	2.3	1.7
Michigan	(4.8)	(0.5)	(1.3)	(3.3)
Ohio	(5.8)	(102.8)	12.8	3.7
Wisconsin	5.9	6.3	6.0	4.6
Plains	**1.1**	**10.4**	**0.4**	**3.0**
Iowa	(0.7)	(2.3)	6.6	1.2
Kansas	(19.3)	1.0	0.5	(4.3)
Minnesota	4.7	16.5	(8.1)	0.9
Missouri	4.4	4.1	3.7	3.0
Nebraska	12.1	13.2	8.0	9.7
North Dakota	(5.9)	21.2	3.2	18.6
South Dakota	NA	(16.7)	7.1	6.5
Southeast	**1.2**	**6.2**	**3.2**	**3.0**
Alabama	4.4	(17.0)	2.4	(0.2)
Arkansas	2.6	2.5	10.9	5.7
Florida	NA	(7.6)	5.3	3.3
Georgia	3.9	26.8	(6.5)	6.7
Kentucky	2.4	4.0	3.1	2.2
Louisiana	6.4	361.4	4.2	12.5
Mississippi	(3.9)	41.3	5.2	3.5
North Carolina	(1.8)	13.0	4.7	0.8
South Carolina	2.2	(1.9)	(2.2)	0.2
Tennessee	(18.3)	(12.5)	3.6	1.4
Virginia	0.2	(4.1)	0.4	1.1
West Virginia	(0.9)	(11.0)	(1.6)	0.1
Southwest	**1.6**	**(20.1)**	**2.5**	**5.2**
Arizona	5.3	(10.6)	(7.8)	(3.1)
New Mexico	(10.5)	(7.7)	3.3	5.5
Oklahoma	2.5	(33.9)	2.1	2.0
Texas	NA	NA	4.8	7.9
Rocky Mountain	**5.8**	**0.2**	**3.3**	**4.4**
Colorado	4.5	14.8	7.1	6.6
Idaho	8.3	1.8	3.4	3.4
Montana	6.8	(27.0)	NA	2.2
Utah	6.9	(14.5)	(3.3)	1.9
Wyoming	NA	NA	7.5	3.6
Far West	**(0.5)**	**8.7**	**7.8**	**2.4**
Alaska	NA	(45.5)	NA	(41.7)
California	(1.1)	14.4	9.9	3.7
Hawaii	(0.8)	74.3	(4.7)	0.4
Nevada	NA	NA	5.1	4.9
Oregon	6.7	(8.7)	NA	4.8
Washington	NA	NA	6.1	4.8

Source: U.S. Census Bureau.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the Bureau of the Census in June of 2014. For reasons we describe below, we have adjusted Census data for selected states to arrive at figures that we believe are best-suited for our purpose of examining underlying economic and fiscal conditions. As a result of these adjustments, we report a year-over-year decline in tax collections of 0.3 percent in the first quarter, which is actually the same as can be computed from data on the Census Bureau's Web site (www.census.gov/govs/www/qtax.html). However, the growth rates for major tax sources, including personal income, corporate income, and sales taxes, are not the same. In this section we explain how and why we have adjusted Census Bureau data, and the consequences of these adjustments.

The Census Bureau and the Rockefeller Institute engage in two related efforts to gather data on state tax collections, and we communicate frequently in the course of this work. The Census Bureau has a highly rigorous and detailed data collection process that entails a survey of state tax collection officials, coupled with web and telephone follow-up. It is designed to produce, after the close of each quarter, comprehensive tax collection data that, in their final form after revisions, are highly comparable from state to state. These data abstract from the fund structures of individual states (e.g., taxes will be counted regardless of whether they are deposited to the general fund or to a fund dedicated for other purposes such as education, transportation, or the environment).

The Census Bureau's data collection procedure is of high quality but is labor-intensive and time-consuming. States that do not report on time, or do not report fully, or that have unresolved questions may be included in the Census Bureau data on an estimated basis, in some cases with data imputed by the Census Bureau. These imputations can involve methods such as assuming that collections for a missing state in the current quarter are the same as those for the same state in a previous quarter, or assuming that collections for a tax not yet reported in a given state will have followed the national pattern for that tax. In addition, state accounting and reporting for taxes can change from one quarter to another, complicating the task of reporting taxes on a consistent basis. For these reasons, some of the initial Census Bureau data for a quarter may reflect estimated amounts or amounts with unresolved questions, and will be revised in subsequent quarters when more data are available. As a result, the historical data from the Census Bureau are comprehensive and quite comparable across states, but on occasion amounts reported for the most recent quarter may not reflect all important data for that quarter.

The Rockefeller Institute also collects data on tax revenue, but in a different way and for different reasons. Because historical Census Bureau data are comprehensive and quite comparable, we rely almost exclusively on Census data for our historical analysis. Furthermore, in recent years Census Bureau data have become far more timely and, where practical, we use them for the most recent quarter as well, although we supplement Census data for certain purposes. We collect our own data on a monthly basis so that we can get a more current read on the economy and state finances. For example, as this report goes to print, we have data on tax collections for the second quarter of 2014 for thirty-six states; while the numbers are preliminary, they are still useful in understanding what is happening to state finances.

In addition, we collect certain information that is not available in the Census Data — figures on withholding tax collections, payments of estimated income tax, final payment, and refunds, all of which are important to understanding income tax collections more fully. Our main uses for the data we collect are to report more frequently and currently on state fiscal conditions, and to report on the income tax in more detail.

Ordinarily there are not major differences between our data for a quarter and the Census data. Normally we use the Census data without adjustment for full quarterly *Revenue Reports*. In the last three years, states have been slow in reporting tax revenues to Census Bureau on a timely manner due to furloughs and reduced workforce. For example, as of now, Census Bureau did not receive data for six states for the first quarter of 2014. Therefore, Census Bureau reported estimated figures for those states. We have made some adjustments to the Census data. Table 11 shows the year-over-year percent change in national tax collections for the following sources: (1) preliminary figures collected by the Rockefeller Institute that appeared in our "Data Alert" dated May 6, 2014; (2) preliminary figures as reported by the Census Bureau; and (3) the Census Bureau's preliminary figures with selected adjustments by the Rockefeller Institute.

Table 13. RIG vs. Census Bureau Quarterly Tax Revenue By Major Tax

January-March, 2013 to 2014, Percent Change

	PIT	CIT	Sales	Total
RIG Data Alert	(0.4)	5.6	1.0	0.7
Census Bureau Preliminary	(1.4)	1.8	2.0	(0.3)
Census Bureau Preliminary with RIG Adjustments	(1.2)	1.4	1.7	(0.3)

The last set of numbers with our adjustments is what we use as the basis for this report. For the first quarter of 2014, we made adjustment for the following six states — Idaho, Kansas, New Hampshire, New Mexico, Oregon, and Washington— based upon data and information provided to us directly by these states. For five of these six states, the Census Bureau had not received a response in time for its publication and used imputed data that will be revised in later reports. However, the Institute obtained data from all five; these data may not be as comprehensive as what would be used by the Census Bureau, but we believe they provide a better picture of fiscal conditions than imputed data. In addition, we adjusted tax collections for some previous quarters for those states where Census Bureau reported imputed values or where preliminary figures were questionable. For example, we made adjustments to sales and total tax numbers for Arizona for several quarters, for which Census Bureau did not report the temporary one-cent sales tax collections. We also made adjustments for some other states for the previous eight quarters.

Endnotes

1 We made adjustments to Census Bureau data for the first quarter of 2014 for six states — Idaho, Kansas, New Hampshire, New Mexico, Oregon, and Washington — based upon data and information provided to us directly by these states or based on the revised data provided to us by the Census Bureau. In addition, we made adjustments to tax numbers for the previous quarters for several states, where Census Bureau reported imputed data. These revisions together account for some noticeable differences between the Census Bureau figures and the Rockefeller Institute estimates.

2 See for example Lucy Dadayan and Donald J. Boyd, "State Tax Revenues Continue Slow Rebound," *State Revenue Report*, #90, The Nelson A. Rockefeller Institute of Government, February 2013, and Lucy Dadayan and Donald J. Boyd, "April 'Surprises' More Surprising Than Expected," *State Revenue Special Report*, The Nelson A. Rockefeller Institute of Government, June 2014, http://www.rockinst.org/pdf/government_finance/state_revenue_report/2014-06-12-Special_ReportV5.pdf.

3 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/qtax/bridgestudy.pdf .

4 Preliminary figures for April-June quarter of 2014 are not available for fourteen states. It is possible that the nationwide picture for collections during the second quarter of 2014 might change slightly once we have complete data for all fifty states for the second quarter of 2014.

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 http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/.

6 For more discussion of the relationship between property tax and housing prices see Lucy Dadayan, *The Impact of the Great Recession on Local Property Taxes* (Albany, NY: The Nelson A. Rockefeller Institute of Government, July 2012), http://www.rockinst.org/pdf/government_finance/2012-07-16-Recession_Local_%20Property_Tax.pdf.

7 Rockefeller Institute analysis of data from the National Association of State Budget Officers.

8 This treats the 1980-82 "double-dip" recession as a single long recession.

9 Ibid.

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

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all fifty states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior policy analyst, and Donald J. Boyd, senior fellow. Thomas Gais, director of the Institute provided valuable feedback on the report. Michael Cooper, the Rockefeller Institute's director of publications, did the layout and design of this report, with assistance from Michele Charbonneau.

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