THE NELSON A. ROCKEFELLER INSTITUTE OF GOVERNMENT

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HIGHLIGHTS

- State tax revenues grew by 4.4 percent in the third quarter of 2014, according to Rockefeller Institute research and Census Bureau data.
- All regions reported growth, with the Southwest and Rocky Mountain regions showing the strongest growth at 8.7 percent each and the New England region showing the weakest growth at 2.6 percent in the third quarter of 2014.
- All major sources of tax revenues showed solid growth in the third quarter of 2014: personal income tax collections reported growth at 4.1 percent, corporate income taxes at 9.2 percent, and sales taxes at 6.1 percent.
- Overall state tax collections for the fiscal year 2014 grew by 2.0 percent compared to fiscal year 2013.
- Preliminary figures for the fourth quarter of 2014 indicate continued and strong growth in overall state tax collections at 6.4 percent.
- The outlook for the remainder of fiscal year 2015 remains positive in most states. However, oil-rich states are facing heightened fiscal challenges due to drops in oil prices.
- Local property tax revenues grew by 1.1 percent in the third quarter.

STATE REVENUE REPORT

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After Weak Performance in the First Half of 2014, Tax Revenues Resume Growth in the Third Quarter

Preliminary Figures Show Continued Growth for the Fourth Quarter of 2014

Lucy Dadayan and Donald J. Boyd

Total State Taxes and Local Taxes

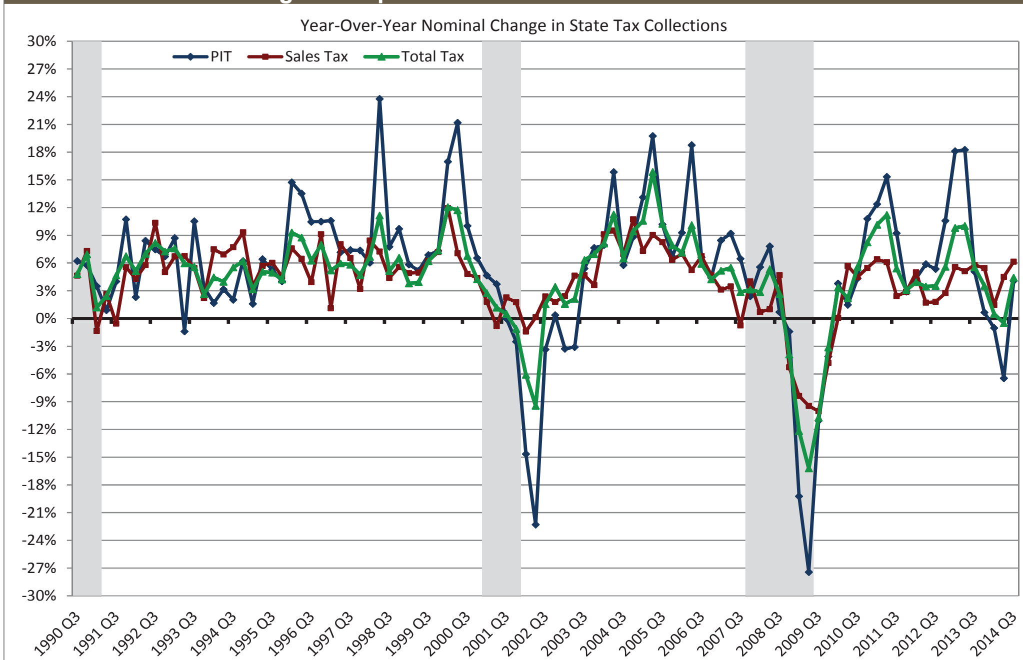
Growth in total state tax collections has fluctuated significantly in the last two years. Total state tax collections grew by 4.4 percent in the third quarter of 2014, following a decline in the second quarter of 2014. The large fluctuations in state tax collections have mostly been attributable to policy changes at the federal level as discussed in previous *State Revenue Reports*. We expect that tax revenue collections will show continuous and steady growth in the coming quarters due to the disappearing impact of the federal fiscal cliff. Early figures for the fourth quarter of 2014 indicate continued and relatively strong growth in overall state tax collections as well as in major tax sources.

The Institute's analysis of data it has collected indicates slightly weaker fiscal conditions for states than the preliminary data released in December 2014 by the Census Bureau. We have adjusted Census figures to reflect data we have since obtained and to reflect differences in how we measure revenue for purposes of the *State Revenue Report*. (See "Adjustments to Census Bureau Tax Collection Data" on page 21.[1])

Figure 1 shows the nominal percent change over time in state tax collections for personal income tax, sales tax, and total taxes. Declines in personal income tax, sales tax, and total state tax collections were steeper during and after the Great Recession that began in December 2007 than in periods surrounding the previous two recessions. The graph also shows rapid income tax growth in the last quarter of 2012 and first half of 2013. Much of that strong growth appears to have been attributable to the behavioral responses of the highest income taxpayers. Many high income taxpayers sought to avoid scheduled increases in federal income tax rates for 2013 and "accelerated" capital gains realizations and some other income into 2012.[2]

Growth in total state tax collections and personal income tax collections weakened significantly in the second half of 2013 and first half of 2014. However, tax collections showed stronger growth in the third quarter of 2014. Personal income tax collections grew by 4.1 percent in the third quarter of 2014.

Figure 1. Upward Turn in State Tax Collections



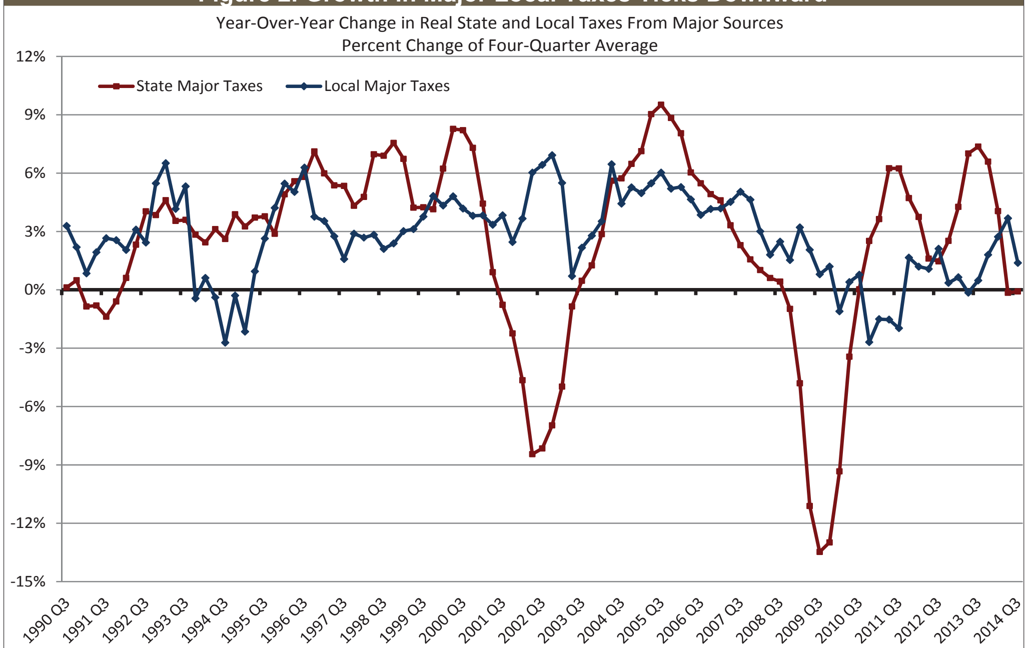
Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue.
Notes: Data for the most recent quarter reflect adjustments by the Rockefeller Institute to include information released after initial publication.

Sales tax revenue growth was more stable throughout 2013, with an average growth rate of 5.5 percent. The sales tax softened considerably in the first quarter of 2014, rising by 1.4 percent only. However, sales tax collections showed stronger growth in the second and third quarters of 2014 at 4.1 and 6.1 percent, respectively.

Total state tax collections in the third quarter of 2014 were above the previous peak levels in most states, in nominal terms. In the third quarter of 2014, forty-four states reported higher tax revenue collections than in the same quarter of 2008, the third full quarter of the Great Recession. If we adjust the numbers for inflation, nationwide tax receipts are 3.9 percent higher in the third quarter of 2014 than in the same quarter of 2008. Inflation-adjusted personal income tax receipts are 7.1 percent higher, while sales tax receipts are only 1.0 percent higher.

Figure 2 shows the year-over-year percentage change in the four-quarter moving average of inflation-adjusted state tax 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, 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 historical local property tax revenues to achieve greater comparability between the Census Bureau's prior survey methodology and a revised survey methodology in use since the fourth quarter of 2008.[3] As shown in Figure 2, the year-over-year change in state major taxes, adjusted

Figure 2. Growth in Major Local 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 are for major taxes only, including sales tax, personal income tax, corporate income tax, and property tax. (3) No adjustments for legislative changes.

for inflation, was negative 0.1 percent for revenue collected over the last four quarters relative to the year-earlier period. This is significantly weaker than the growth rates reported throughout 2013. However, the substantially strong growth in 2013 and subsequent softening and declines in 2014 were mostly attributable to the impact of federal fiscal cliff. State tax revenues will likely resume the growth in the coming quarters.

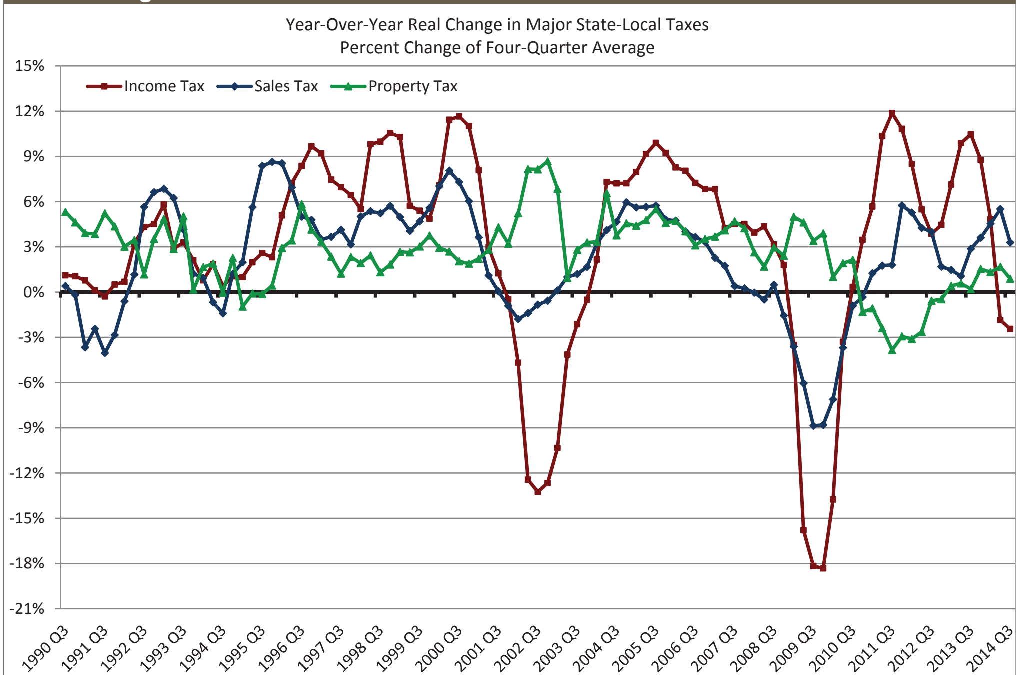
The inflation-adjusted four-quarter moving average of local taxes showed 1.4 percentage growth on a year-over-year basis, which is a substantial softening over the 3.7 percent growth reported in the previous quarter. The softening in local tax revenues was largely attributable to declines in local sales tax collections. Inflation over the year, as measured by the gross domestic product price index, was 1.6 percent.

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. The 1.4 percent growth in the four-quarter moving average for the latest quarter was only 1.4 percent. The largest year-over-year growth in in the last decade was 6.5 percent, in the second quarter of 2004.

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 grew by 1.1 percent in nominal terms in the third quarter of 2014 compared to the same quarter of 2013.

Local sales tax collections, the second largest contributor to overall local tax revenues, declined significantly by $3.5 billion, or 17.0 percent, in the third quarter of 2014 in nominal terms. Collections from local individual income taxes, a much smaller contributor to overall local revenues, declined by 5.6 percent and collections from corporate income taxes declined by 1.4 percent.

Figure 3. Personal Income Taxes Show Declines in the Third Quarter



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

We suspect that atypical factors, such as changes in the timing of tax payments or deposits, played a major role in these revenue declines and that they are not a harbinger of economic decline.

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 tax showed slower growth, and then outright decline, from 2006 through most of 2009. By this measure, which reflects the prior three quarters as well as the current quarter, the income tax declined by 2.4 percent in the third quarter of 2014. This is the second consecutive quarter decline and is mostly attributable to the temporary impact of the fiscal cliff. State-local sales tax collections showed growth of 3.3 percent in the third quarter of 2014. The third-quarter average of year-over-year changes in state-local property taxes showed growth of 0.9 percent, marking the seventh consecutive quarter of growth.

State Tax Revenue

In this section we discuss the nominal trends in state tax revenues observed in the third quarter of calendar year 2014. Total state tax revenue grew by 4.4 percent in the third quarter of 2014 relative to a year ago, before adjustments for inflation and legislated changes (such as changes in tax rates). Growth was reported in all major sources of state tax revenues as well. The individual income and corporate income tax collections grew by 4.1 and 9.2 percent, respectively, while the sales tax collections grew by 6.1 percent. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Forty-three states reported growth in total tax revenue during the third quarter of 2014, with four states reporting double-digit growth (see Tables 7 and 8 on pages 16-17). All regions reported growth in overall state tax collections. The Southwest and Rocky Mountain regions showed the strongest growth at 8.7 percent each and the New England region showed the weakest growth at 2.6 percent in the third quarter of 2014.

Table 1. Quarterly State Tax Revenue

Year-Over-Year Percent Change

Quarter	Total Nominal Change	Inflation Rate	Adjusted Real Change
2014 Q3	4.4	1.6	2.8
2014 Q2	(0.5)	1.7	(2.1)
2014 Q1	0.5	1.4	(0.9)
2013 Q4	3.5	1.4	2.1
2013 Q3	5.5	1.4	4.1
2013 Q2	10.0	1.5	8.4
2013 Q1	9.8	1.6	8.0
2012 Q4	5.6	1.8	3.7
2012 Q3	3.5	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	5.4	2.3	3.0
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	5.6	1.6	3.9
2010 Q2	2.2	1.1	1.1
2010 Q1	3.4	0.5	2.9
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(10.7)	0.3	(11.0)
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 Q3	4.1	9.2	6.1	4.4
2014 Q2	(6.5)	(1.6)	4.5	(0.5)
2014 Q1	(1.0)	8.3	1.5	0.5
2013 Q4	0.7	2.8	5.5	3.5
2013 Q3	5.1	1.5	5.8	5.5
2013 Q2	18.3	10.5	5.1	10.0
2013 Q1	18.1	9.4	5.6	9.8
2012 Q4	10.6	3.0	2.7	5.6
2012 Q3	5.4	8.4	1.8	3.5
2012 Q2	5.9	(3.1)	1.7	3.5
2012 Q1	4.3	4.0	5.0	3.9
2011 Q4	2.9	(3.3)	2.9	3.1
2011 Q3	9.2	0.9	2.4	5.4
2011 Q2	15.3	18.2	6.1	11.2
2011 Q1	12.4	3.7	6.4	10.1
2010 Q4	10.8	12.1	5.5	8.2
2010 Q3	4.3	1.4	4.5	5.6
2010 Q2	1.5	(18.9)	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	(11.1)	(21.4)	(10.0)	(10.7)
2009 Q2	(27.4)	3.0	(9.4)	(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).

Preliminary figures collected by the Rockefeller Institute for the October-December quarter of 2014 indicate that all major sources of tax revenues continued showing growth.[5] Total tax collections in forty-six early-reporting states grew 6.4 percent in the fourth quarter of 2014, while individual income and sales tax collections grew by 8.5 and 6.6 percent, respectively.

Personal Income Tax

In the third quarter of 2014, personal income tax revenue made up at least a third of total tax revenue in twenty-eight states, and was larger than the sales tax in twenty-five states. Personal income tax revenues showed growth at 4.1 percent in the third quarter of 2014 compared to the same period in 2013. Personal income tax collections were 16.8 percent higher than in the third quarter of 2008, the recessionary peak for third quarter income tax revenue. Inflation-adjusted personal income tax collections were 7.1 percent above the third quarter of 2008.

The resumed growth in personal income tax collections is attributable to the disappearing impact of the federal fiscal cliff as well as to the overall strong stock market observed throughout 2014.

Calendar year 2014 ended up being a strong year for the stock market, gaining 17.5 percent as measured by the S&P 500 Index.[6]

All regions but the Great Lakes had growth in personal income tax collections in the third quarter of 2014, with the Far West and Rocky Mountain regions showing the largest growth at 9.8 and 7.1 percent, respectively. The Great Lakes region had a decline in personal income tax collections of 1.6 percent.

Overall, thirty-one states reported growth in personal income tax collections for the quarter with five states reporting double-digit growth. The following five states reported declines of over 5 percent in personal income tax collections: Delaware, Kansas, North Carolina, Ohio, and Wisconsin. The declines in all these five states are at least partially attributable to legislative changes in 2014 that cut income tax rates, restructured tax brackets, and made other changes.

The largest dollar value increase was in California, where personal income tax collections grew by $1.4 billion, or 10.8 percent. The largest dollar-value declines were in North Carolina, where income tax collections declined by $361 million, or 13.1 percent. In North Carolina the legislature replaced the three-bracket income tax rates of 6.0, 7.0, and 7.75 percent with a single rate of 5.8 percent in calendar year 2014.

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 data presented here were collected by the Rockefeller Institute.

Table 3. Personal Income Tax Withholding, By State

Last Four Quarters, Percent Change

	2013	2014		
	Oct-Dec	*Jan-Mar*	*Apr-Jun*	*Jul-Sep*
United States	**1.1**	**5.6**	**2.6**	**4.9**
New England	**1.9**	**6.7**	**3.4**	**4.7**
Connecticut	1.7	2.5	5.7	5.2
Maine	(3.6)	3.8	1.6	2.4
Massachusetts	2.5	9.1	2.7	4.8
Rhode Island	2.4	6.8	3.4	5.5
Vermont	5.7	15.1	(2.5)	2.4
Mid-Atlantic	**1.9**	**6.2**	**4.0**	**6.5**
Delaware	2.3	14.8	4.3	3.1
Maryland	0.9	4.8	4.0	3.3
New Jersey	2.5	5.2	2.5	13.9
New York	2.1	7.2	4.7	6.3
Pennsylvania	2.1	3.2	2.8	3.8
Great Lakes	**(0.4)**	**4.3**	**(1.8)**	**1.1**
Illinois	1.8	0.6	3.2	3.8
Indiana	4.2	7.5	0.4	6.0
Michigan	2.6	5.0	3.1	(0.3)
Ohio	(4.1)	(3.3)	(4.8)	(1.7)
Wisconsin	(7.3)	17.7	(12.3)	(5.2)
Plains	**0.1**	**2.3**	**4.3**	**5.5**
Iowa	2.7	3.3	5.3	5.8
Kansas	(15.6)	(4.6)	(2.3)	2.2
Minnesota	5.0	5.0	6.1	5.2
Missouri	0.1	1.3	4.0	6.7
Nebraska	(0.8)	4.4	1.5	5.3
North Dakota	(1.9)	(11.7)	15.0	14.0
Southeast	**1.8**	**1.8**	**(2.4)**	**0.8**
Alabama	1.9	4.1	(1.0)	4.8
Arkansas	1.1	7.1	(0.5)	5.7
Georgia	1.4	7.4	3.9	4.7
Kentucky	1.1	3.1	(0.4)	5.7
Louisiana	(2.8)	10.4	ND	ND
Mississippi	4.7	9.0	(1.7)	7.0
North Carolina	3.5	(10.7)	(16.6)	(14.6)
South Carolina	1.4	8.1	6.2	3.2
Virginia	2.1	1.5	1.0	6.3
West Virginia	1.7	4.1	(0.7)	6.2
Southwest	**0.1**	**8.6**	**2.9**	**5.6**
Arizona	(1.4)	6.7	3.2	1.6
New Mexico	(1.6)	24.2	(5.2)	10.1
Oklahoma	3.0	5.2	6.1	9.0
Rocky Mountain	**3.7**	**7.0**	**5.6**	**7.2**
Colorado	3.0	6.2	7.9	8.1
Idaho	8.2	8.4	4.3	6.3
Montana	(0.2)	6.6	6.5	6.7
Utah	4.3	8.1	1.9	6.1
Far West	**0.6**	**9.2**	**8.2**	**9.5**
California	0.0	9.6	8.4	10.0
Hawaii	2.3	5.6	4.9	6.2
Oregon	5.2	6.5	7.5	6.3

Source: Individual state data, analysis by the 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.

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 July-September 2014 quarter increased by $2.9 billion, or 4.9 percent, for the forty states for which we have data, out of forty-one states with broad-based personal income taxes. The 4.9 percent growth is considerably stronger than the 2.6 percent rate for the April-June quarter. Wages are the largest component of taxable income by far. The growth in overall personal income tax collections is attributable to the growth in withholding taxes on wages as well as growth in taxes on investment income.

Thirty-six states reported growth in withholding for the third quarter of 2014, while the following four states reported declines: Michigan, North Carolina, Ohio, and Wisconsin. The largest declines were in North Carolina and Wisconsin, at 14.6 and 5.2 percent, respectively. North Dakota and New Jersey had the strongest growth, at 14 and 13.9 percent, respectively.

All regions had growth in withholding. The Far West had the greatest growth in withholding at 9.5 percent, while the Southeast region had the softest growth at 0.8 percent. The large growth in the Far West region is mostly attributable to the strong growth in withholding in California, while the weak growth in the Southeast region is mostly attributable to declines in withholding in North Carolina.

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 third quarter of 2014, estimated payments accounted for $12 billion, or roughly 17 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

Table 4. Estimated Payments/Declarations, By State

State	Year-Over-Year Percent Change: July-Sep. (3rd payment, 2013)	April-Sep. (first three payments, 2013)	July-Sep. (3rd payment, 2014)	April-Sep. (first three payments, 2014)
Average (Mean)	**16.3**	**19.4**	**7.3**	**(0.1)**
Median	**11.5**	**12.3**	**5.3**	**1.6**
Alabama	18.4	11.4	0.2	(4.0)
Arizona	11.8	11.8	7.8	4.9
Arkansas	13.7	8.7	(3.1)	(1.2)
California	46.5	26.5	13.8	16.1
Colorado	30.9	36.0	13.8	(9.1)
Connecticut	11.3	7.8	4.9	5.6
Delaware	17.1	11.8	6.8	8.7
Georgia	9.0	(29.9)	10.7	6.9
Hawaii	36.4	25.8	(27.6)	(20.3)
Illinois	14.4	12.4	4.2	0.8
Indiana	(1.3)	2.3	12.3	10.1
Iowa	19.2	17.9	(2.5)	(10.5)
Kansas	(29.2)	(32.4)	(47.2)	(49.6)
Kentucky	9.6	21.3	0.6	(8.2)
Louisiana	21.7	17.6	ND	ND
Maine	12.2	4.1	(9.2)	(3.1)
Maryland	9.2	12.0	13.4	11.4
Massachusetts	8.4	10.2	9.7	6.3
Michigan	14.5	19.0	7.0	(0.4)
Minnesota	18.2	27.3	13.0	1.9
Mississippi	143.8	33.1	24.8	0.6
Missouri	15.6	16.2	4.6	2.5
Montana	8.3	12.9	5.3	5.1
Nebraska	22.7	20.7	(4.0)	(4.4)
New Jersey	26.5	14.1	2.1	4.1
New York	7.9	29.5	9.2	(14.7)
North Carolina	(4.9)	(5.0)	4.7	5.6
North Dakota	32.4	110.8	(12.7)	(44.8)
Ohio	5.0	10.1	(17.0)	(26.5)
Oklahoma	(2.8)	13.8	14.6	(0.5)
Oregon	8.1	8.3	19.3	12.9
Pennsylvania	9.7	4.4	2.0	1.6
Rhode Island	5.7	8.8	1.6	25.7
South Carolina	3.7	4.2	7.7	1.3
Vermont	13.5	13.6	7.2	6.3
Virginia	9.8	12.1	13.5	2.1
West Virginia	0.0	(2.3)	20.5	8.9
Wisconsin	4.2	17.4	(7.1)	(11.8)

Source: Individual state data, analysis by the Rockefeller Institute.

Note: ND = No Data.

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-seven states for which we have complete data for the third payment (mostly attributable to the 2014 tax year), the median payment was up by $832 million, or 5.3 percent, compared to the previous year (see Table 4). For the first three payments combined, the median payment was up by 1.6 percent in the thirty-seven states for which we have complete data. Declines were recorded in nine of the thirty-seven states for the third payment, and in fifteen of thirty-seven states for the first, second, and third payments combined. The median growth of 1.6 percent reported for the first three payments of tax year 2014 is significantly lower than the median growth of 12.3 percent reported for the first three payments of tax year 2013.

The soft growth in the first three payments 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 appear to have accelerated the realization of some income, such as capital gains, from tax year 2013 into tax year 2012. This resulted in strong growth in estimated payments for the fourth payment of tax year 2012 as well as the first and second payments of tax year 2013 and subsequently led to declines in the fourth payment of the tax year 2013 and the first and second payments of 2014, relative to the inflated year-earlier values. The impact of the fiscal cliff on estimated payments likely was less pronounced in the third quarter of 2014. Nevertheless, the uncertain implications of the federal policy created a further burden for states trying to make accurate projections of personal income taxes.

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 third quarter of 2014, final payments accounted for $2.1 billion, or roughly 2 percent of all personal income tax revenues. Final payments with personal income tax returns in the thirty-eight states for which we have complete data declined by 4.6 percent in the third quarter of 2014 compared to the same quarter of 2013. Payments with returns in the July-September quarter of 2014 were below the 2013 levels in twenty-four of thirty-eight states for which we have complete data.

Refunds

Personal income tax refunds paid by thirty-eight states grew by 3.8 percent in the third quarter of 2014 compared to the same quarter of 2013. In total, these thirty-eight early reporting states paid out about $131 million more in refunds in the July-September quarter of 2014 than in 2013. Overall, twenty-five states paid out more refunds while thirteen states paid out less refunds in the third quarter of 2014 compared to the same quarter of 2013.

General Sales Tax

State sales tax collections in the July-September quarter showed growth of 6.1 percent from the same period in 2013. Sales tax collections have been growing for nineteen straight quarters now with an average quarterly growth of 4.2 percent. Sales tax collections were above the recessionary peak for the quarter in nominal terms, ending 10.1 percent higher than in the third quarter of 2008. Inflation-adjusted figures indicate that sales tax were only 1.0 percent above the recessionary peak reported in the third quarter of 2008. The overall weakness in the sales tax collections is at least partially attributable to tax dollars lost in online retail sales. In the wake of Great Recession, consumers are more cautious in their discretionary spending. In addition, states lost an estimated $52 billion from 2007 to 2012 from being prohibited from collecting sales tax from e-commerce sales.[7]

The Southwest region reported the largest increase at 9.0 percent, while the Far West region reported the softest growth at 3.3 percent.

Forty-three of 45 states with broad-based sales taxes reported growth for the quarter and two states — Arkansas and West Virginia — reported declines. Among the states reporting growth, eight states reported double-digit growth in sales tax collections ranging from 18.5 percent in Arizona to 10.9 percent in Michigan.

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 income tax revenue grew by 9.2 percent in the third quarter of 2014 compared to a year earlier. All regions but New England reported growth in corporate income tax collections. The Far West region reported the largest growth in corporate income tax collections at 35.1 percent in the third quarter of 2014, while the Mid-Atlantic region reported the softest growth at 2.3 percent. The New England region reported a decline at 3.5 percent.

Among forty-six states that have a corporate income tax, thirty states reported growth, with twenty-two enjoying double-digit gains. Sixteen states reported declines for the third quarter of 2014 compared to the same quarter of the previous year, of which eight 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 $158 million, or 18.2 percent. The largest growth in dollars was in California, where corporate income tax collections grew by $466 million, or 42.5 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 third quarter of 2014. The motor fuel sales tax, the most significant of the smaller taxes, showed a 1.2 percent growth for the nation, which is the fourth consecutive quarter of growth. State property taxes, a relatively small revenue source for states, grew by 3.3 percent. Collections from tobacco product sales taxes declined for the thirteenth consecutive quarter, by 4.3 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 1.7 and 1.9 percent, respectively, in the third quarter of 2014.

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	$13,847	$42,912	$16,691	$6,175	$26,396	$140,477
2014 Q3	3.3	1.2	(4.3)	1.7	1.9	1.6
2014 Q2	1.1	2.0	(2.7)	0.2	2.1	3.0
2014 Q1	0.3	1.6	(3.0)	0.4	0.6	3.7
2013 Q4	1.3	0.6	(2.3)	(1.1)	0.1	6.6
2013 Q3	1.0	(0.0)	(0.7)	(2.3)	(0.6)	5.9
2013 Q2	(1.2)	(0.6)	(3.2)	(1.7)	(0.9)	4.9
2013 Q1	(3.1)	(0.7)	(2.5)	0.1	0.4	4.6
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.

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.

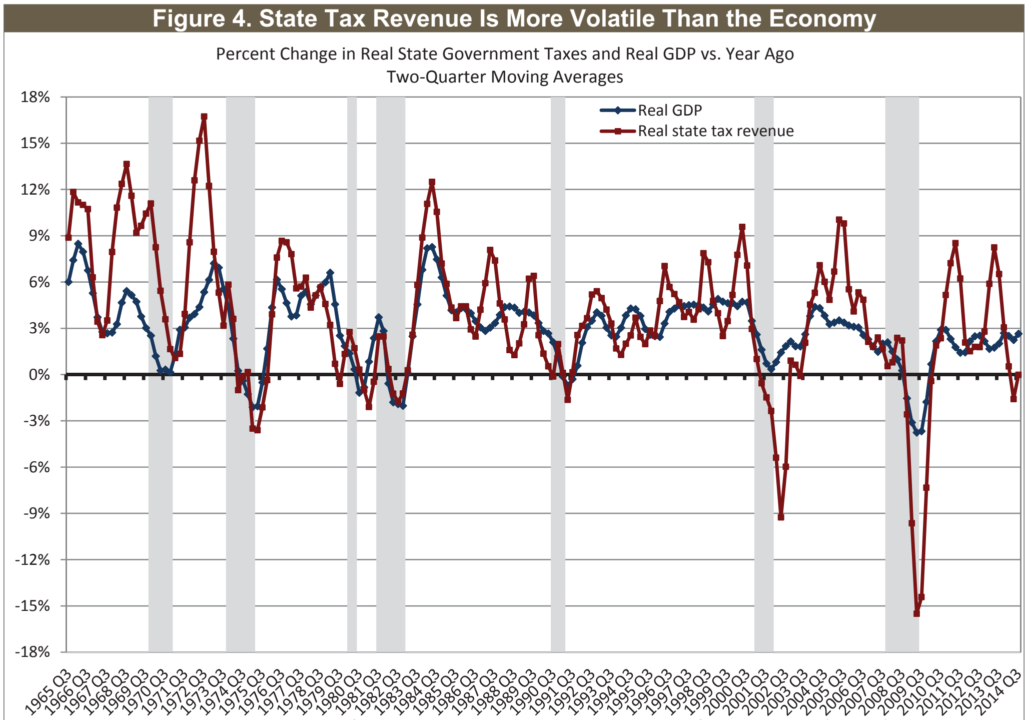
Economic Changes

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 third quarter of 2014 real state tax revenue showed an insignificant decline on this moving-average basis. Real Gross Domestic Product (GDP) continued showing growth for the nineteenth consecutive quarter at 2.6 percent. Postrecession growth in real GDP has been fairly weak, varying between 0.7 and 2.6 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 the first three quarters of 2014.

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 two quarters; (2) No legislative adjustments; (3) Recession periods are shaded.

Table 6. Nonfarm Employment, By State
Last Four Quarters, Year-Over-Year Percent Change

	2014			
	Jan-Mar	*Apr-Jun*	*Jul-Sep*	*Oct-Dec*
United States	**1.6**	**1.7**	**1.8**	**1.9**
New England	**1.2**	**1.2**	**1.6**	**1.5**
Connecticut	0.6	0.7	0.8	1.5
Maine	1.4	1.1	1.5	1.0
Massachusetts	1.4	1.5	2.1	1.7
New Hampshire	1.2	1.4	1.2	1.1
Rhode Island	1.4	1.3	1.7	1.2
Vermont	1.1	0.0	0.6	1.1
Mid-Atlantic	**0.7**	**0.9**	**1.1**	**0.9**
Delaware	2.1	2.7	2.8	2.7
Maryland	0.4	0.9	0.6	0.7
New Jersey	(0.0)	0.1	0.5	0.5
New York	1.3	1.2	1.5	1.1
Pennsylvania	0.4	0.9	1.0	0.8
Great Lakes	**0.9**	**1.0**	**1.2**	**1.2**
Illinois	0.6	0.5	0.7	0.8
Indiana	1.3	2.0	2.3	1.9
Michigan	0.6	0.7	1.0	1.0
Ohio	1.1	0.8	0.8	1.0
Wisconsin	1.3	1.8	2.0	1.8
Plains	**1.5**	**1.6**	**1.7**	**1.5**
Iowa	1.5	1.6	1.1	1.1
Kansas	1.1	1.0	1.1	0.8
Minnesota	1.7	1.6	2.1	1.5
Missouri	1.4	1.6	1.9	1.7
Nebraska	1.1	0.9	0.7	0.8
North Dakota	3.9	4.9	4.9	5.1
South Dakota	0.7	0.9	1.0	0.9
Southeast	**1.6**	**1.8**	**1.9**	**2.0**
Alabama	1.0	0.6	1.2	1.7
Arkansas	0.9	1.3	1.4	1.6
Florida	3.0	3.1	2.8	2.9
Georgia	1.7	2.0	2.1	2.5
Kentucky	0.1	0.9	1.3	2.0
Louisiana	0.9	1.0	1.6	1.2
Mississippi	0.8	1.0	1.0	0.1
North Carolina	1.7	2.0	2.2	2.6
South Carolina	2.2	2.0	1.9	2.4
Tennessee	1.7	2.1	2.2	2.2
Virginia	0.1	0.3	0.4	0.5
West Virginia	0.3	1.8	1.6	1.2
Southwest	**2.4**	**2.7**	**3.1**	**3.4**
Arizona	2.0	1.6	2.3	2.6
New Mexico	(0.3)	(0.1)	0.7	1.5
Oklahoma	1.4	1.9	2.1	2.1
Texas	2.9	3.3	3.6	3.9
Rocky Mountain	**2.4**	**2.3**	**2.4**	**2.5**
Colorado	2.9	2.8	2.5	2.4
Idaho	1.1	0.8	0.7	1.4
Montana	1.0	1.1	1.9	1.7
Utah	2.7	3.0	3.5	3.6
Wyoming	1.2	0.9	1.7	1.2
Far West	**2.4**	**2.3**	**2.2**	**2.2**
Alaska	0.7	(0.1)	(0.4)	(0.1)
California	2.4	2.3	2.1	2.2
Hawaii	1.4	1.0	1.3	1.2
Nevada	3.8	3.7	3.4	2.5
Oregon	2.9	2.8	2.8	2.8
Washington	2.1	2.1	2.4	2.7

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

The volatility in state tax revenues in the last few quarters is at least partially attributable to the impact of the fiscal cliff.

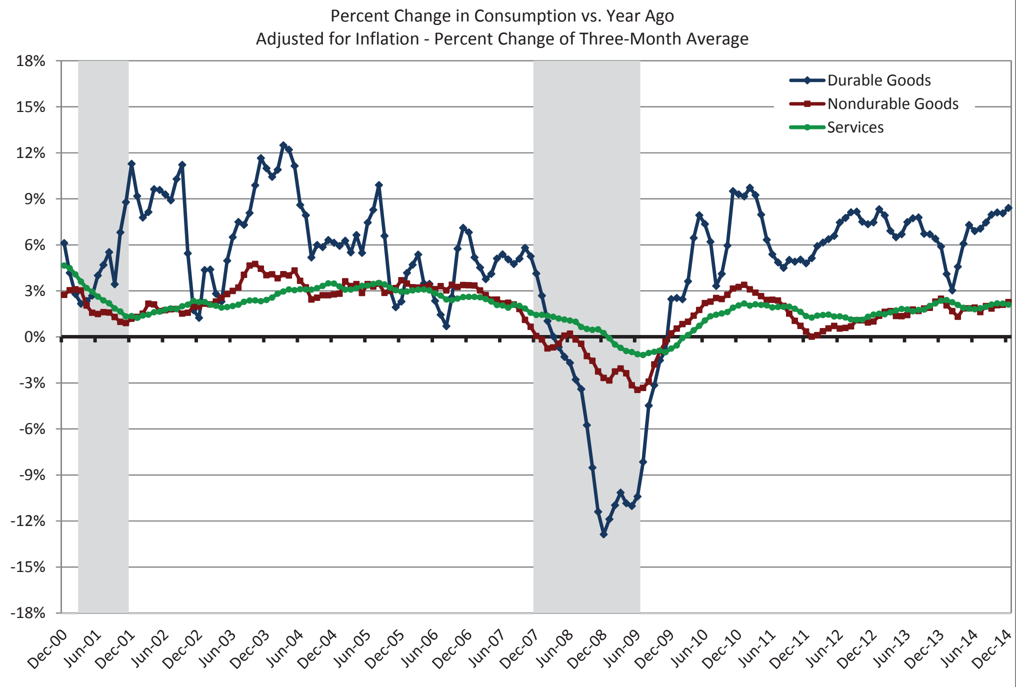
State-by-state data on income and consumption are not available on a timely basis, and so we cannot easily see variation across the country in these trends. Instead, like other researchers, the Rockefeller Institute relies partly on employment data from the Bureau of Labor Statistics to examine state-by-state economic 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 fourth quarter of 2014. For the nation as a whole, employment grew by 1.8 and 1.9 percent, respectively, in the third and fourth quarters of 2014 compared to the same quarters of 2013. On a year-over-year basis, employment grew in all states but Alaska in the fourth quarter of 2014. Among individual states, North Dakota reported the largest growth at 5.1 percent in the fourth quarter of 2014, followed by Texas at 3.9 percent. In total, sixteen states reported growth of over 2.0 percent in the fourth quarter of 2014.

All regions reported growth in employment in the fourth 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 3.4 and 2.5 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.[8] These indexes can be used to measure the scope of economic decline or growth.

The analysis of coincident indexes indicates that as of December 2014, economic activity nationwide increased by 0.9 percent compared to three months earlier and by 3.5 percent compared to a year earlier. At the state level, all fifty states reported growth in economic activity compared to three months earlier. The number of states reporting growth in economic activity has been rather stable in the last twelve months and varied between forty-five and fifty throughout calendar year 2014. The data underlying these indexes are

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.

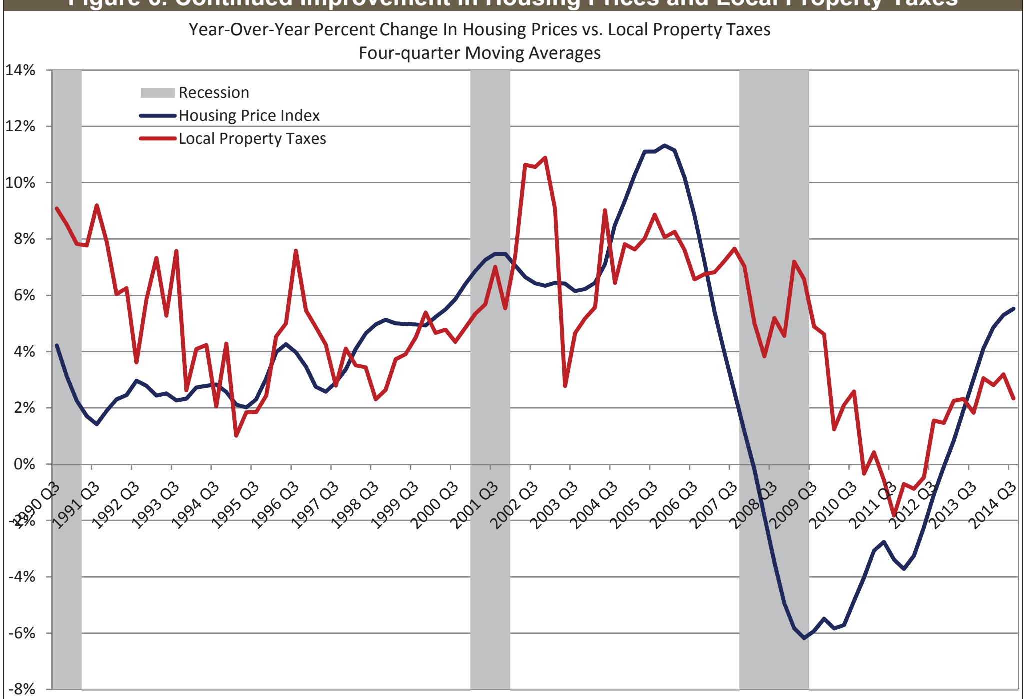
subject to revision, and so tentative conclusions drawn now could change at a later date.

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 throughout 2014. 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 throughout 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 third quarter of 1990 through the third 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.[9]

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

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).

quarter of 2009. The trend in the housing price index has been generally upward since mid-2009 and strengthened continuously throughout the third quarter of 2014. In the third quarter of 2014, the housing price index showed growth at 5.5 percent. This is the seventh consecutive quarter of growth and is proceeding after twenty consecutive quarter declines, which is highly encouraging. Figure 6 also shows that the decline in local property taxes lagged the decline in housing prices. The third-quarter moving average of year-over-year change in local property taxes showed 2.3 percent growth in the third quarter of 2014, marking nine consecutive quarters of growth. However, the growth had softened considerably compared to the 3.2 percent growth reported in the second quarter of 2014.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the July-September 2014 quarter, enacted tax increases and decreases produced an estimated loss of $436 million compared to the same period in 2013.[10] Enacted tax changes decreased personal income tax by approximately $167 million, decreased sales tax by $55 million, decreased corporate income taxes by $50 million, and decreased some other taxes by $164 million.

Among the enacted personal income tax changes, the most noticeable ones are in New York, where the freeze in property tax credit for homeowners is estimated to decrease the personal income tax collections. Other major noticeable tax changes were introduced in Texas to provide tax relief, including a franchise tax rate reduction exemptions and credits related to research and development equipment, telecomm equipment, and data centers. These tax changes are estimated to decrease revenues by an estimated $622 million in state fiscal year 2015.

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 eighty-four months following the start of each recession from 1980 forward.[11] 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 December 2014 they were only 5.6 percent above the prerecession 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

Table 7. State Tax Revenue, July-September 2013 and 2014 ($ in millions)								
	July-September 2013				July-September 2014			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**68,409**	**8,940**	**62,177**	**196,195**	**71,191**	**9,764**	**66,000**	**204,871**
New England	**4,852**	**768**	**2,552**	**10,624**	**4,964**	**741**	**2,701**	**10,903**
Connecticut	1,034	79	589	2,208	1,023	88	620	2,237
Maine	306	40	227	799	307	45	261	849
Massachusetts	3,061	469	1,402	5,864	3,168	435	1,473	6,020
New Hampshire	16	138	NA	472	15	130	NA	484
Rhode Island	278	19	245	799	287	14	255	821
Vermont	158	23	89	481	165	29	93	491
Mid-Atlantic	**14,953**	**1,954**	**7,757**	**34,117**	**15,651**	**1,998**	**8,082**	**35,197**
Delaware	394	59	NA	913	302	50	NA	722
Maryland	1,502	208	695	4,060	1,581	193	721	4,153
New Jersey	1,945	423	1,443	4,930	2,106	525	1,478	5,277
New York	8,705	871	3,228	16,728	9,186	713	3,348	17,100
Pennsylvania	2,407	392	2,392	7,486	2,475	517	2,535	7,946
Great Lakes	**11,192**	**1,486**	**9,429**	**30,891**	**11,011**	**1,534**	**10,208**	**31,895**
Illinois	3,609	878	2,167	9,098	3,680	788	2,260	9,390
Indiana	1,163	219	1,761	4,263	1,226	200	1,851	4,334
Michigan	2,537	148	2,471	7,788	2,464	302	2,740	8,334
Ohio	2,288	2	2,221	6,446	2,142	7	2,507	6,586
Wisconsin	1,595	239	810	3,296	1,499	237	850	3,251
Plains	**5,283**	**630**	**4,303**	**14,420**	**5,508**	**760**	**4,454**	**15,108**
Iowa	609	53	476	1,545	636	75	508	1,625
Kansas	584	83	748	1,763	533	110	758	1,719
Minnesota	2,206	275	1,211	5,303	2,352	322	1,237	5,532
Missouri	1,280	99	835	2,762	1,331	106	857	2,840
Nebraska	485	66	445	1,165	535	85	475	1,274
North Dakota	118	49	354	1,482	120	56	365	1,695
South Dakota	NA	6	233	399	NA	6	255	424
Southeast	**12,738**	**2,122**	**14,853**	**41,291**	**12,901**	**2,185**	**15,930**	**42,595**
Alabama	783	60	584	2,147	779	99	612	2,235
Arkansas	670	110	806	2,123	689	105	806	2,162
Florida	NA	442	5,209	8,616	NA	470	5,635	9,100
Georgia	2,343	209	1,211	4,603	2,433	224	1,297	4,801
Kentucky	931	199	778	2,670	981	156	805	2,698
Louisiana	802	36	758	2,741	781	72	796	2,682
Mississippi	358	107	684	1,572	425	107	730	1,690
North Carolina	2,763	359	1,488	5,882	2,402	291	1,747	5,595
South Carolina	1,071	73	431	2,001	1,134	89	489	2,233
Tennessee	4	267	1,822	3,058	4	291	1,913	3,198
Virginia	2,597	198	769	4,527	2,828	223	793	4,847
West Virginia	415	61	314	1,351	443	57	306	1,352
Southwest	**1,999**	**282**	**9,083**	**19,365**	**2,130**	**296**	**9,898**	**21,053**
Arizona	953	134	1,276	3,106	976	144	1,513	3,364
New Mexico	344	63	513	1,363	343	84	575	1,552
Oklahoma	702	85	648	2,174	810	68	684	2,388
Texas	NA	NA	6,646	12,722	NA	NA	7,126	13,749
Rocky Mountain	**2,455**	**284**	**1,695**	**5,939**	**2,629**	**340**	**1,815**	**6,455**
Colorado	1,292	146	653	2,774	1,409	161	715	3,044
Idaho	299	49	367	887	318	51	383	938
Montana	252	33	NA	558	270	37	NA	601
Utah	611	56	475	1,443	632	91	491	1,540
Wyoming	NA	NA	200	278	NA	NA	225	333
Far West	**14,939**	**1,413**	**12,505**	**39,547**	**16,399**	**1,910**	**12,912**	**41,665**
Alaska	NA	141	NA	945	NA	155	NA	258
California	12,913	1,096	8,412	28,954	14,309	1,561	8,703	31,465
Hawaii	454	45	643	1,458	453	21	695	1,500
Nevada	NA	NA	302	657	NA	NA	326	656
Oregon	1,572	131	NA	2,270	1,636	172	NA	2,403
Washington	NA	NA	3,147	5,263	NA	NA	3,188	5,384

Source: U.S. Census Bureau.

Table 8. Quarterly Tax Revenue By Major Tax
July-September, 2013-2014, Percent Change

	PIT	CIT	Sales	Total
United States	**4.1**	**9.2**	**6.1**	**4.4**
New England	**2.3**	**(3.5)**	**5.9**	**2.6**
Connecticut	(1.1)	11.1	5.3	1.3
Maine	0.4	11.9	15.2	6.2
Massachusetts	3.5	(7.2)	5.0	2.7
New Hampshire	(1.9)	(5.6)	NA	2.5
Rhode Island	3.0	(23.3)	4.0	2.7
Vermont	4.5	24.2	4.6	2.0
Mid-Atlantic	**4.7**	**2.3**	**4.2**	**3.2**
Delaware	(23.3)	(16.1)	NA	(21.0)
Maryland	5.3	(7.1)	3.7	2.3
New Jersey	8.3	24.2	2.4	7.0
New York	5.5	(18.2)	3.7	2.2
Pennsylvania	2.8	31.7	6.0	6.1
Great Lakes	**(1.6)**	**3.2**	**8.3**	**3.2**
Illinois	2.0	(10.3)	4.3	3.2
Indiana	5.4	(8.7)	5.2	1.7
Michigan	(2.9)	104.6	10.9	7.0
Ohio	(6.4)	235.7	12.9	2.2
Wisconsin	(6.0)	(1.0)	4.9	(1.4)
Plains	**4.3**	**20.7**	**3.5**	**4.8**
Iowa	4.4	42.0	6.8	5.1
Kansas	(8.8)	32.9	1.2	(2.5)
Minnesota	6.6	17.2	2.1	4.3
Missouri	4.0	7.0	2.6	2.8
Nebraska	10.4	29.3	6.6	9.4
North Dakota	1.8	14.8	2.9	14.3
South Dakota	NA	0.7	9.6	6.2
Southeast	**1.3**	**3.0**	**7.2**	**3.2**
Alabama	(0.6)	64.3	4.9	4.1
Arkansas	2.9	(4.2)	(0.0)	1.9
Florida	NA	6.3	8.2	5.6
Georgia	3.8	7.4	7.1	4.3
Kentucky	5.4	(21.5)	3.4	1.0
Louisiana	(2.6)	99.4	5.0	(2.1)
Mississippi	18.8	(0.0)	6.7	7.5
North Carolina	(13.1)	(19.0)	17.4	(4.9)
South Carolina	5.9	21.9	13.4	11.6
Tennessee	10.2	8.9	5.0	4.6
Virginia	8.9	13.0	3.1	7.1
West Virginia	6.8	(7.2)	(2.5)	0.1
Southwest	**6.6**	**5.1**	**9.0**	**8.7**
Arizona	2.4	8.0	18.5	8.3
New Mexico	(0.1)	32.8	12.2	13.9
Oklahoma	15.4	(20.1)	5.5	9.8
Texas	NA	NA	7.2	8.1
Rocky Mountain	**7.1**	**19.4**	**7.1**	**8.7**
Colorado	9.0	10.4	9.6	9.7
Idaho	6.3	4.3	4.3	5.7
Montana	6.9	11.1	NA	7.7
Utah	3.5	61.0	3.5	6.7
Wyoming	NA	NA	12.3	19.6
Far West	**9.8**	**35.1**	**3.3**	**5.4**
Alaska	NA	9.7	NA	(72.7)
California	10.8	42.5	3.5	8.7
Hawaii	(0.2)	(53.1)	8.0	2.9
Nevada	NA	NA	8.0	(0.2)
Oregon	4.1	31.1	NA	5.9
Washington	NA	NA	1.3	2.3

Source: U.S. Census Bureau.

percentage change in nonfarm employment for the nation as a whole in the eighty-four months following the start of each recession from 1980 forward.[12] The last point for the 2007 recession is December 2014, month eighty-four. The employment finally attained its prerecession peak levels since May 2014. However, as the graph shows, the 1.4 percent employment growth as of December 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 graph also shows downward trend for 2001 recession, which is due to the employment figures shown for the first few months of the Great Recession. The last point for the 2001 recession is March 2008, which marked the third full month of the Great Recession.

The Overview of State Fiscal Year 2014

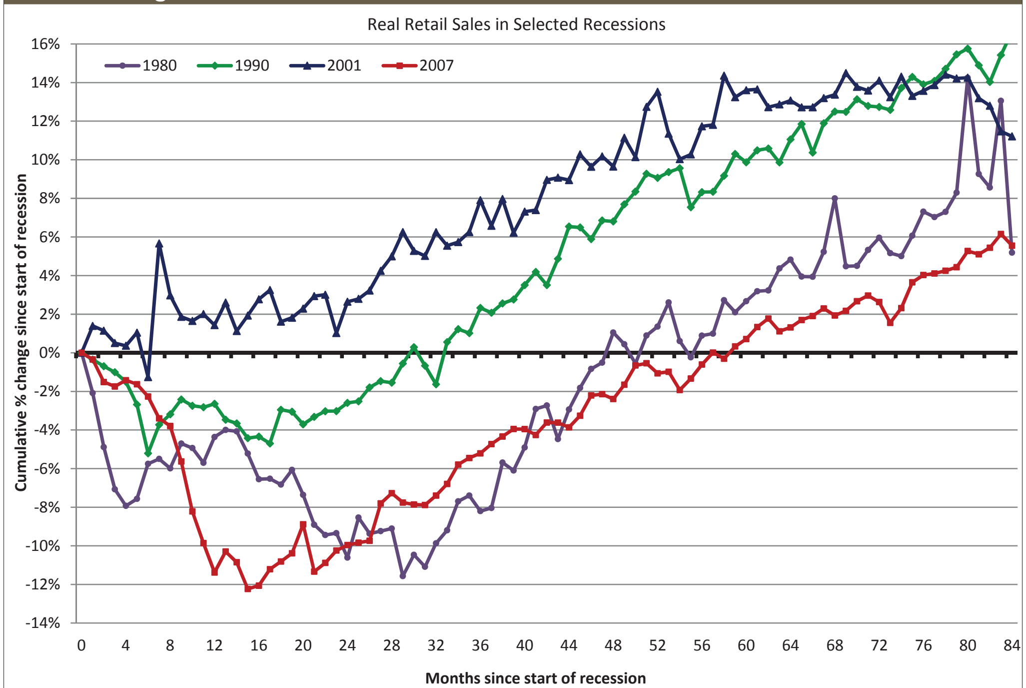
According to preliminary Census Bureau data, states collected $866.1 billion in total tax revenues in fiscal year 2014, a gain of 2.0 percent from the $849.2 billion collected in fiscal year 2013 (see Tables 9 and 10). The sales tax and corporate income tax both showed growth at 4.3 and 2.1 percent, respectively, while the personal income tax declined by 1.2 percent. All regions reported growth in total tax collections in fiscal year 2014, with the Southwest region reporting the greatest growth at 4.9 percent, and the Great Lakes region reporting the weakest growth at 0.7 percent.

Thirty-three states reported growth in fiscal 2014 while seventeen states reported declines. The greatest growth was in North Dakota at 16.6 percent, while the steepest decline was in Alaska at 34 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-three states reported growth in personal income tax collections while twenty states reported declines.

The Outlook for the Remainder of State Fiscal Year 2015

Preliminary data for forty-six states for the October-December quarter of 2014 indicate that total tax revenues increased by 6.4 percent compared to the same period of 2013, while personal income tax collections increased by 8.5 percent, and sales tax collections grew by 6.6 percent. With the economy now growing steadily and the gyrations related to the fiscal cliff largely in the past, this suggests that states are likely to see continued growth for the rest of the fiscal year 2015. Nonetheless, predicting tax revenue for the April-June quarter — the final quarter of the year for most states — will remain fraught with uncertainty.

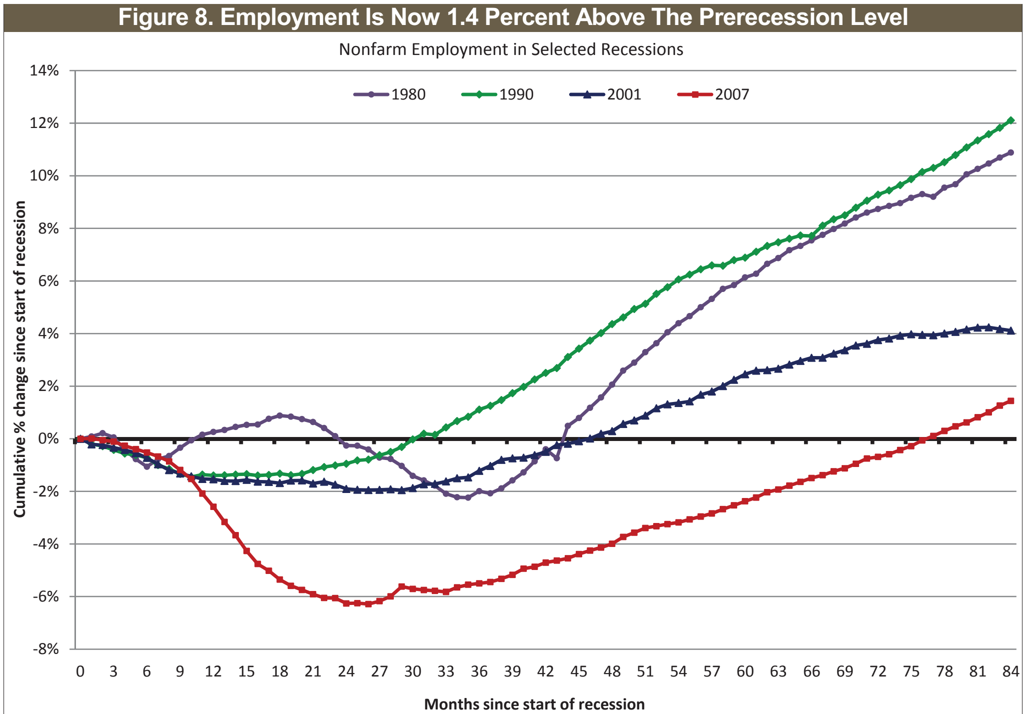
Figure 7. Real Retail Sales Are Now Above the Prerecession Levels



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

Overall, the state revenue outlook for the remainder of fiscal year 2015 appears positive for most states. However, the large drop in oil prices created further headaches for the oil-rich states. In eight states — Alaska, Louisiana, Montana, New Mexico, North Dakota, Texas, West Virginia, and Wyoming — severance taxes made up over 9 percent of total taxes in fiscal year 2013. Four of these eight states — Montana, North Dakota, Texas, and Wyoming — have biennial budgets, which means more complications for state officials in forecasting budgets. While all oil-rich states face fiscal challenges, the drop in oil prices had a particularly huge impact on Alaska, where severance taxes made up over three-quarters of total taxes. Total tax revenues in Alaska declined by 34 percent in fiscal year 2014 compared to fiscal year 2013. In the first quarter of fiscal year 2015, total tax revenues declined by 72.7 percent in Alaska compared to the same period of fiscal year 2014, mostly driven by large declines in severance taxes. Alaska's governor released the fiscal year 2016 budget in early February and proposed "painful cuts" involving all agencies and programs in order to address the $3.6 billion deficit.

Figure 8. Employment Is Now 1.4 Percent Above The Prerecession Level



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

Table 9. State Tax Revenue, FYTD 2013 and FYTD 2014 ($ in millions)								
	July 2012-June 2013				July 2013-June 2014			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**313,749**	**45,309**	**253,636**	**849,211**	**309,947**	**46,243**	**264,470**	**866,118**
New England	**24,041**	**3,436**	**11,323**	**51,641**	**24,301**	**3,802**	**11,953**	**52,883**
Connecticut	7,812	569	3,838	15,971	7,773	627	3,981	15,924
Maine	1,532	172	1,072	3,884	1,414	183	1,192	3,847
Massachusetts	12,854	1,888	5,184	23,687	13,251	2,192	5,519	24,907
New Hampshire	92	557	NA	2,305	78	556	NA	2,259
Rhode Island	1,089	144	881	2,934	1,110	138	907	2,977
Vermont	663	106	347	2,859	675	106	355	2,968
Mid-Atlantic	**74,363**	**10,851**	**34,111**	**160,277**	**74,070**	**10,855**	**35,327**	**161,650**
Delaware	1,324	310	NA	3,512	1,391	279	NA	3,527
Maryland	7,693	952	4,114	18,157	7,774	983	4,196	18,930
New Jersey	12,109	2,282	8,455	29,077	12,312	2,034	8,871	29,580
New York	42,466	5,099	12,300	75,610	41,790	5,258	12,764	75,484
Pennsylvania	10,771	2,208	9,242	33,920	10,802	2,302	9,496	34,129
Great Lakes	**46,746**	**7,362**	**36,008**	**124,131**	**44,656**	**7,149**	**37,787**	**124,980**
Illinois	16,539	4,463	8,159	38,729	16,642	4,440	8,515	39,922
Indiana	4,973	784	6,802	16,937	4,916	867	7,003	17,074
Michigan	8,137	898	8,286	24,709	7,880	862	8,295	24,594
Ohio	9,870	262	8,352	27,242	8,425	(0)	9,345	27,026
Wisconsin	7,228	956	4,410	16,514	6,793	981	4,628	16,365
Plains	**23,634**	**2,958**	**17,695**	**60,926**	**22,797**	**3,076**	**18,134**	**62,460**
Iowa	3,224	385	2,264	7,764	2,977	378	2,444	7,737
Kansas	2,957	439	2,897	7,670	2,222	423	2,984	7,468
Minnesota	9,329	1,218	5,588	22,802	9,613	1,336	5,365	23,317
Missouri	5,381	377	3,155	11,183	5,362	358	3,286	11,286
Nebraska	2,102	276	1,669	4,692	2,124	307	1,764	4,883
North Dakota	642	226	1,269	5,299	499	250	1,378	6,178
South Dakota	NA	37	854	1,517	NA	25	915	1,592
Southeast	**50,166**	**8,997**	**60,782**	**167,357**	**49,713**	**9,262**	**62,694**	**171,163**
Alabama	3,163	398	2,310	9,016	3,211	368	2,364	8,947
Arkansas	2,650	403	2,838	8,582	2,602	398	3,130	8,917
Florida	NA	2,072	20,786	35,628	NA	2,044	21,854	37,336
Georgia	8,754	797	5,146	17,251	8,966	944	4,984	18,222
Kentucky	3,723	647	3,022	10,815	3,749	674	3,131	11,008
Louisiana	2,735	288	2,928	9,211	2,822	468	3,019	10,137
Mississippi	1,755	416	3,128	7,335	1,665	526	3,273	7,492
North Carolina	11,068	1,286	5,593	23,739	10,391	1,361	5,842	23,365
South Carolina	3,359	387	3,041	8,588	3,421	358	3,040	8,611
Tennessee	263	1,289	7,027	12,683	239	1,177	7,278	12,805
Virginia	10,901	772	3,708	19,118	10,878	741	3,556	18,917
West Virginia	1,796	242	1,255	5,390	1,770	204	1,222	5,406
Southwest	**7,537**	**1,514**	**36,256**	**77,996**	**7,704**	**1,178**	**37,360**	**81,843**
Arizona	3,398	662	5,859	12,908	3,462	575	5,482	12,498
New Mexico	1,222	266	2,004	5,456	1,280	206	2,101	5,828
Oklahoma	2,917	585	2,519	8,658	2,962	397	2,599	8,969
Texas	NA	NA	25,874	50,974	NA	NA	27,178	54,548
Rocky Mountain	**10,719**	**1,354**	**6,328**	**25,930**	**10,941**	**1,364**	**6,576**	**26,656**
Colorado	5,529	652	2,417	11,197	5,650	716	2,613	11,812
Idaho	1,293	200	1,324	3,578	1,338	190	1,374	3,633
Montana	1,046	171	NA	2,645	1,063	150	NA	2,641
Utah	2,852	331	1,884	6,325	2,890	308	1,823	6,307
Wyoming	NA	NA	703	2,186	NA	NA	766	2,263
Far West	**76,543**	**8,837**	**51,133**	**180,953**	**75,764**	**9,556**	**54,639**	**184,484**
Alaska	NA	634	NA	5,132	NA	409	NA	3,388
California	68,515	7,620	33,428	134,892	67,384	8,512	36,166	138,833
Hawaii	1,736	124	2,944	6,060	1,731	141	2,825	6,043
Nevada	NA	NA	3,637	7,017	NA	NA	3,829	7,143
Oregon	6,293	458	NA	9,157	6,649	495	NA	9,583
Washington	NA	NA	11,123	18,694	NA	NA	11,819	19,492

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	**(1.2)**	**2.1**	**4.3**	**2.0**
New England	**1.1**	**10.6**	**5.6**	**2.4**
Connecticut	(0.5)	10.3	3.7	(0.3)
Maine	(7.7)	6.4	11.2	(1.0)
Massachusetts	3.1	16.1	6.4	5.1
New Hampshire	(14.5)	(0.2)	NA	(2.0)
Rhode Island	1.9	(4.7)	2.9	1.5
Vermont	1.8	0.2	2.1	3.8
Mid-Atlantic	**(0.4)**	**0.0**	**3.6**	**0.9**
Delaware	5.1	(9.9)	NA	0.4
Maryland	1.0	3.2	2.0	4.3
New Jersey	1.7	(10.9)	4.9	1.7
New York	(1.6)	3.1	3.8	(0.2)
Pennsylvania	0.3	4.3	2.7	0.6
Great Lakes	**(4.5)**	**(2.9)**	**4.9**	**0.7**
Illinois	0.6	(0.5)	4.4	3.1
Indiana	(1.1)	10.6	3.0	0.8
Michigan	(3.2)	(4.0)	0.1	(0.5)
Ohio	(14.6)	(100.0)	11.9	(0.8)
Wisconsin	(6.0)	2.7	4.9	(0.9)
Plains	**(3.5)**	**4.0**	**2.5**	**2.5**
Iowa	(7.7)	(1.7)	8.0	(0.3)
Kansas	(24.8)	(3.8)	3.0	(2.6)
Minnesota	3.0	9.7	(4.0)	2.3
Missouri	(0.3)	(5.2)	4.2	0.9
Nebraska	1.1	11.3	5.6	4.1
North Dakota	(22.3)	11.0	8.6	16.6
South Dakota	NA	(33.2)	7.2	5.0
Southeast	**(0.9)**	**2.9**	**3.1**	**2.3**
Alabama	1.5	(7.7)	2.4	(0.8)
Arkansas	(1.8)	(1.1)	10.3	3.9
Florida	NA	(1.3)	5.1	4.8
Georgia	2.4	18.4	(3.1)	5.6
Kentucky	0.7	4.3	3.6	1.8
Louisiana	3.2	62.5	3.1	10.1
Mississippi	(5.2)	26.5	4.6	2.1
North Carolina	(6.1)	5.8	4.5	(1.6)
South Carolina	1.8	(7.5)	(0.0)	0.3
Tennessee	(9.0)	(8.7)	3.6	1.0
Virginia	(0.2)	(4.1)	(4.1)	(1.1)
West Virginia	(1.4)	(16.1)	(2.7)	0.3
Southwest	**2.2**	**(22.2)**	**3.0**	**4.9**
Arizona	1.9	(13.1)	(6.4)	(3.2)
New Mexico	4.7	(22.8)	4.8	6.8
Oklahoma	1.6	(32.1)	3.2	3.6
Texas	NA	NA	5.0	7.0
Rocky Mountain	**2.1**	**0.7**	**3.9**	**2.8**
Colorado	2.2	9.8	8.1	5.5
Idaho	3.5	(5.2)	3.7	1.5
Montana	1.7	(12.2)	NA	(0.1)
Utah	1.3	(6.9)	(3.2)	(0.3)
Wyoming	NA	NA	9.0	3.5
Far West	**(1.0)**	**8.1**	**6.9**	**2.0**
Alaska	NA	(35.6)	NA	(34.0)
California	(1.7)	11.7	8.2	2.9
Hawaii	(0.3)	13.7	(4.1)	(0.3)
Nevada	NA	NA	5.3	1.8
Oregon	5.7	8.0	NA	4.7
Washington	NA	NA	6.3	4.3

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 December 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 increase in state tax collections of 4.4 percent in the third quarter, compared to 4.5 percent increase that can be computed from data on the Census Bureau's website (www.census.gov/govs/www/qtax.html). 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 fourth quarter of 2014 for forty-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 *State Revenue Reports*. In the last three years, states have been slow in reporting tax revenues to Census Bureau in a timely manner due in part to furloughs and reduced workforces. For example, for the third quarter of 2014, the Census Bureau did not receive data in time for seven states and 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 December 11, 2014; (2) preliminary figures as reported by the Census Bureau in December of 2014; and (3) the Census Bureau's preliminary figures with selected adjustments by the Rockefeller Institute.

Table 11. RIG vs. Census Bureau Quarterly Tax Revenue By Major Tax

July-September, 2013 to 2014, Percent Change

	PIT	CIT	Sales	Total
RIG Data Alert	4.3	8.9	5.9	4.0
Census Bureau Preliminary	3.7	7.8	6.5	4.5
Census Bureau Preliminary with RIG Adjustments	4.1	9.2	6.1	4.4

The last set of numbers with our adjustments is what we use as the basis for this report. For the third quarter of 2014, we made adjustment for the following eleven states — Hawaii, Illinois, Kansas, Massachusetts, Michigan, Minnesota, New Mexico, North Dakota, Rhode Island, South Carolina, and West Virginia — based upon revised data provided to us by the Census Bureau or information provided to us directly by these states. For seven of these eleven 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. The Institute obtained data for all seven; 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 data for Illinois, Rhode Island, South Carolina, and North Dakota as well as tax collections for some previous quarters for those states where Census Bureau reported imputed values or where preliminary figures were questionable.

Endnotes

1 We made adjustments to Census Bureau data for the third quarter of 2014 for eleven states — Hawaii, Illinois, Kansas, Massachusetts, Michigan, Minnesota, New Mexico, North Dakota, Rhode Island, South Carolina, and West Virginia — 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 still 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, http://www.rockinst.org/pdf/government_finance/state_revenue_report/SSR-90.pdf , 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 the October-December quarter of 2014 are not available for the following four states: Hawaii, Nevada, New Mexico, and Wyoming. It is likely that the nationwide picture for collections during the fourth quarter of 2014 might change slightly once we have complete data for all fifty states for the fourth quarter of 2014.

5 The 17.5 percent is based on calendar year average and is not adjusted for dividends. For more information, see the S&P 500 database available through the Federal Reserve Bank of St. Louis, http://research.stlouisfed.org/fred2/series/SP500/downloaddata.

6 See Donald Bruce, William F. Fox, and LeAnn Luna, "State and Local Government Sales Tax Revenue Losses from Electronic Commerce," The University of Tennessee, April 13, 2009, http://cber.bus.utk.edu/ecomm/ecom0409.pdf.

7 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/.

8 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.

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

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

11 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.

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