STATE REVENUE REPORT

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Revenue Revs Up — Again

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HIGHLIGHTS

- ❖ Total state tax revenue grew 9.7 percent in January-March 2000 over the same period in 1999.
- ❖ Legislated tax changes caused only a moderate reduction in aggregate total tax revenue growth. Adjusted growth was 10.4 percent.
- ❖ The personal income tax continued to charge along, growing 13.6 percent.
- ❖ At 11.1 percent, withholding's double-digit growth surprised many estimators, and December/January's fourth quarterly estimated payment also grew a brisk 17.1 percent, up from earlier in the year.
- ❖ No region had less than five percent total growth, and the Far West had 20.0 percent – courtesy of Alaska, California and Oregon (the last of which had somewhat inflated growth due to a one-time tax rebate last year).
- ❖ Tax cuts keep on coming in the 2000 legislative season.

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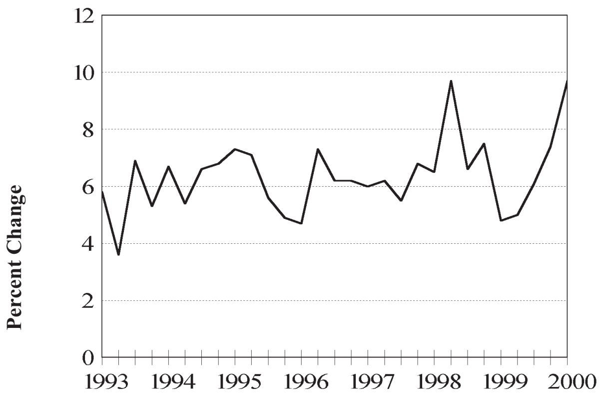


Figure 2. Real Quarterly Increase, 1993-2000

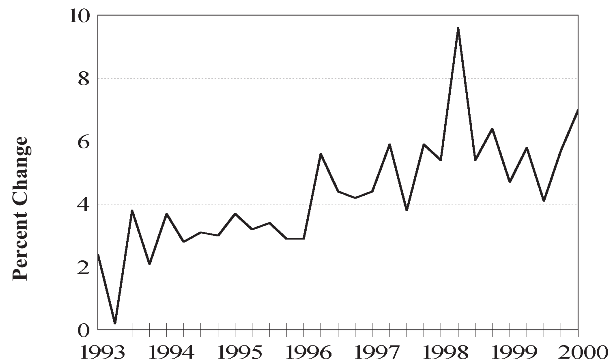


Table 1. Aggregate Change in Quarterly Tax Revenue, Adjusting for Legislated Tax Changes and Inflation

	Total Nominal Increase	*Adjusted Nominal Increase*	*Inflation Rate*	*Real Increase*
1994				
Jan.-Mar.	6.7%	6.3%	2.5%	3.7%
April-June	5.4	5.3	2.4	2.8
July-Sept.	6.6	6.1	2.9	3.1
Oct.-Dec.	6.8	5.8	2.7	3.0
1995				
Jan.-Mar.	7.3	6.6	2.8	3.7
April-June	7.1	6.4	3.1	3.2
July-Sept.	5.6	6.1	2.6	3.4
Oct.-Dec.	4.9	5.7	2.7	2.9
1996				
Jan.-Mar.	4.7	5.7	2.7	2.9
April-June	7.3	8.6	2.8	5.6
July-Sept.	6.2	7.4	2.9	4.4
Oct.-Dec.	6.2	7.5	3.2	4.2
1997				
Jan.-Mar.	6.0	7.4	2.9	4.4
April-June	6.2	8.3	2.3	5.9
July-Sept.	5.5	6.1	2.2	3.8
Oct.-Dec.	6.8	7.9	1.9	5.9
1998				
Jan.-Mar.	6.5	7.0	1.5	5.4
April-June	9.7	11.4	1.6	9.6
July-Sept.	6.6	7.1	1.6	5.4
Oct.-Dec.	7.5	8.0	1.5	6.4
1999				
Jan.-Mar.	4.8	6.5	1.7	4.7
April-June	5.0	8.0	2.1	5.8
July-Sept.	6.1	6.5	2.3	4.1
Oct.-Dec.	7.4	8.4	2.6	5.7
2000				
Jan.-Mar.	9.7	10.4	3.2	7.0

Note: Inflation is measured by the Consumer Price Index.
Please call Fiscal Studies Program for pre-1994 data.

Table 2. Change in Quarterly Tax Revenue by Major Tax

	PIT	*CIT*	*Sales*	*Total*
1994				
Jan.-Mar.	7.6%	6.2%	6.9%	6.7%
April-June	1.3	9.1	9.0	5.4
July-Sept.	4.2	18.9	7.8	6.6
Oct.-Dec.	4.2	12.5	9.1	6.8
1995				
Jan.-Mar.	6.4	13.2	9.0	7.3
April-June	8.3	14.3	6.1	7.1
July-Sept.	6.3	8.0	5.2	5.6
Oct.-Dec.	5.6	7.9	4.2	4.9
1996				
Jan.-Mar.	7.1	(4.8)	5.6	4.7
April-June	11.3	0.9	6.8	7.3
July-Sept.	6.9	4.0	5.8	6.2
Oct.-Dec.	9.1	(3.0)	6.1	6.2
1997				
Jan.-Mar.	7.1	9.6	4.7	6.0
April-June	8.8	7.6	4.3	6.2
July-Sept.	8.4	(2.8)	5.8	5.5
Oct.-Dec.	8.3	4.5	5.3	6.8
1998				
Jan.-Mar.	9.3	2.3	5.6	6.5
April-June	19.5	(2.1)	5.3	9.7
July-Sept.	8.9	(0.2)	5.9	6.6
Oct.-Dec.	9.5	5.2	5.5	7.5
1999				
Jan-Mar.	6.6	(2.6)	6.1	4.8
April-June	6.0	(2.1)	7.3	5.0
July-Sept.	7.6	1.4	6.7	6.1
Oct.-Dec.	9.1	3.8	7.3	7.4
2000				
Jan.-Mar.	13.6	8.0	8.2	9.7

Note: Please call Fiscal Studies Program for pre-1994 data.

Introduction

January-March is an interesting period in state tax revenue. For states with personal income taxes, January bonuses and estimated tax payments affect current revenue and may herald what is to come in the April filing season. For states with sales taxes, January often reflects holiday sales made in December.

This January-March had good news to go around. With 9.7 percent growth over the same quarter a year ago, the first quarter of 2000 started with a bang. Part of this strength was due to a relative lack of legislated tax cuts. Although there were several large cuts, the aggregate number was also affected by some large legislated tax changes that increased revenue growth, and thus balanced out some of their effects.

However, most of the strength this quarter appears to have been good, old-fashioned underlying revenue growth, particularly in the personal income tax, but bolstered by strong sales tax and corporate income tax revenue growth during the same period.

Tax Revenue Growth January-March

Tax revenue grew a brisk 9.7 percent in the first quarter of calendar 2000 over the same period a year ago. Growth would have been in the double digits – closer to 10.4 percent – if there had been no legislated tax changes affecting the quarter. Either way, this was the strongest quarter since April-June of 1998, and the fastest January-March quarter since the *State Revenue Report* began publishing quarterly numbers in 1990. (See Table 1.) And this is after several successive years of such record-breaking growth, so the base is quite large as well.

As Table 3 shows, while a few states saw weak growth or even declines (mostly due to tax cuts), revenue growth was strong in every region. The weakest was the Southeast region, which at 5.0 percent – closer to six percent once adjusted for legislated tax changes – could hardly be described as troublingly weak. The Far West was unquestion-

Table 3. Change in Quarterly Tax Revenue by State, January-March, 1999 to 2000

	PIT	*CIT*	*Sales*	*Total*
United States	**13.6%**	**8.0%**	**8.2%**	**9.7%**
New England	**12.9**	**0.5**	**6.6**	**8.4**
Connecticut	5.3¶	(20.9)¶	4.7	2.3¶
Maine	2.3	30.3	11.2	7.7
Massachusetts	17.8*	8.5¶	7.6	11.5*
New Hampshire	NA	(13.7)	NA	24.5*
Rhode Island	9.0¶	35.4	15.0	10.0¶
Vermont	8.3¶	(2.0)	(17.2)¶	(2.1)¶
Mid-Atlantic	**14.5**	**(7.4)**	**8.3**	**8.6**
Delaware	(11.3)¶	(14.1)¶	NA	(2.3)¶
Maryland	7.7¶	19.1*	8.4	8.2
New Jersey	10.8	(45.7)	9.2	5.8
New York	19.4¶	(4.0)¶	8.9¶	12.7¶
Pennsylvania	8.1	(3.1)¶	7.1	4.0¶
Great Lakes	**9.5**	**16.3**	**9.1**	**8.9**
Illinois	8.9	77.6	8.0	10.3
Indiana	(1.8)¶	21.8	7.6	4.6¶
Michigan	3.7¶	18.6¶	8.4	8.3¶
Ohio	16.1*	(10.5)	11.0	7.8*
Wisconsin	17.5*	(3.0)	10.8	14.2*
Plains	**5.7**	**4.9**	**8.8**	**6.5**
Iowa	5.0	(16.0)	3.7	3.3
Kansas	0.5	(62.5)	6.2	(0.3)
Minnesota	6.6¶	24.8	11.0	8.6¶
Missouri	ND	ND	ND	ND
Nebraska	9.6	14.9	15.8*	13.3*
North Dakota	6.6	3.4	5.2	9.1
South Dakota	NA	NA	7.1	4.7
Southeast	**6.4**	**(0.3)**	**6.6**	**5.0**
Alabama	6.1	3.0	7.9	10.6
Arkansas	2.9¶	(13.6)	6.7	4.1¶
Florida	NA	(2.1)¶	9.0¶	4.3¶
Georgia	8.1	(49.3)	9.4	3.4
Kentucky	2.3	137.6	6.0	5.3
Louisiana	7.0	(62.4)	3.6	7.3
Mississippi	5.4	11.0	4.1	5.9
North Carolina	14.7	50.3*	(1.9)¶	8.2
South Carolina	(8.0)	(41.4)	4.6	(4.6)
Tennessee	NA	17.2*	7.1	9.0
Virginia	2.6	3.6	5.2¶	1.8*
West Virginia	3.4	23.6	4.3	1.9
Southwest	**7.3**	**(7.0)**	**7.8**	**8.5**
Arizona	29.2	(16.5)	11.3	16.0
New Mexico	0.1	40.5*	2.4	7.7
Oklahoma	(8.8)¶	(22.8)	1.3	0.6¶
Texas	NA	NA	8.2	8.5
Rocky Mountain	**13.8**	**13.2**	**8.5**	**10.5**
Colorado	14.4¶	(2.2)¶	10.0	11.1¶
Idaho	11.7	4.2	8.3	11.7
Montana	5.1	46.8	NA	4.8
Utah	23.5	(3.9)	5.7	10.5
Wyoming	NA	NA	14.7*	26.9¶
Far West	**27.2**	**38.4**	**10.4**	**20.0**
Alaska	NA	49.9	NA	124.2
California	27.1	36.9	11.0	21.1
Hawaii	3.6¶	133.7	14.3	11.6¶
Nevada	NA	NA	5.1	9.4
Oregon	36.2*	65.9*	NA	36.3*
Washington	NA	NA	9.0	6.1¶

Table 4. Change in Quarterly Tax Revenue, Adjusting for Legislated Tax Changes

	PIT	*Sales*	*Total*
1994			
Jan.-Mar.	7.4%	6.3%	6.3%
April-June	1.8	8.0	5.3
July-Sept.	4.4	6.8	6.1
Oct.-Dec.	4.4	7.5	5.8
1995			
Jan.-Mar.	6.1	7.5	6.6
April-June	7.5	5.1	6.4
July-Sept.	7.2	5.4	6.1
Oct.-Dec.	7.1	4.2	5.7
1996			
Jan.-Mar.	8.8	5.7	5.7
April-June	14.1	6.5	8.6
July-Sept.	9.1	5.9	7.4
Oct.-Dec.	11.2	6.4	7.5
1997			
Jan.-Mar.	10.0	5.0	7.4
April-June	12.8	5.0	8.3
July-Sept.	9.5	6.2	6.1
Oct.-Dec.	10.7	5.9	7.9
1998			
Jan.-Mar.	10.0	6.5	7.0
April-June	23.3	5.9	11.4
July-Sept.	9.3	6.4	7.1
Oct.-Dec.	10.2	5.9	6.9
1999			
Jan.-Mar.	9.9	6.2	6.5
April-June	12.4	7.3	8.0
July-Sept.	8.3	6.9	6.5
Oct.-Dec.	11.0	7.5	8.4
2000			
Jan.-Mar.	13.8	8.8	10.4

Note: The corporate income tax is not included in this table. The quarterly effect of legislation on this tax's revenue is especially uncertain. (See Technical Notes, page 14.)
For pre-1994 data, call CSS.

Key to Interpreting Tables

All percent change tables are based on year-over-year changes.
* indicates legislation or processing/accounting changes significantly increased tax receipts (by one percentage point or more).
¶ indicates legislation or processing/accounting changes significantly decreased tax receipts.
NA means not applicable.
ND means no data.
Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1994. For data through 1990, call the Fiscal Studies Program.

ably the strongest quarter, with growth of about 20 percent, even after adjusting for legislated tax changes that mostly boosted revenue growth.[1] While much of that strength was due to the strong personal income tax showing of California and Oregon, the regional growth averages of every type of tax in that region were in the double digits, and Alaska more than doubled its total revenue from last year, thanks to the wild swings of the oil market.

Tables 2 and 4 show the historical picture for the major tax sources – personal income, corporate income (Table 2 only), and sales and use – and for total tax revenue, both as reported, and adjusted to show growth before the effects of legislated tax changes. These taxes have had very different patterns over the past few years of this recovery. The big story of the last four years has been the growth personal income tax. Starting in April of 1996, the personal income tax has grown by leaps and bounds every April, although it may have begun to cool slightly this year. By contrast, the corporate income tax, which was quite strong in 1994 and 1995, has been exceedingly weak since then. This trend has not worried many involved in state budgets, as this source accounts for far less revenue than the personal income tax. Finally, the sales tax has been getting steadily stronger over the past three years, neither being as surprisingly weak as the corporate income tax nor as surprisingly strong as the personal income tax. In recent quarters, the growth rates of the personal income tax and the sales tax had converged, although the former became considerably stronger again last quarter.

This quarter saw the continued resurgence of the personal income tax as the predominant tax growth area by far, despite further strengthening by the sales and use tax. Somewhat surprisingly, the corporate income tax grew a fairly substantial amount as well, adding to the quarter's overall strength.

Personal Income Tax

States with a personal income tax are particularly interested in trends during this and the April-June quarter to come, particularly during these volatile times. For one thing, end-of-year bo-

Figure 3
Percent Change in Tax Revenue by Region, Adjusted for Legislated Changes January-March 1999 to 2000

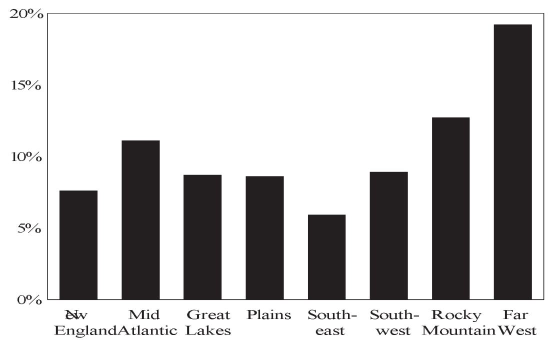


Figure 4
Change in Quarterly Tax Revenue by State, Adjusting for Legislated Changes, January-March 1999 to 2000

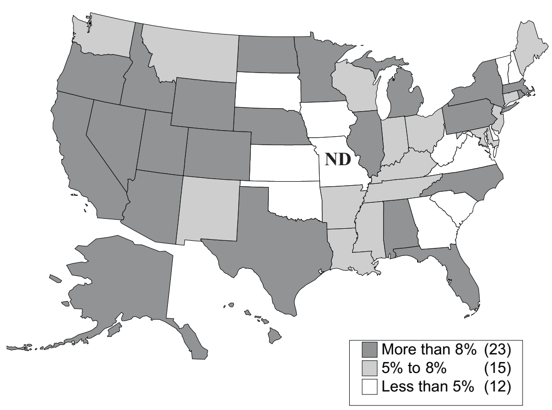
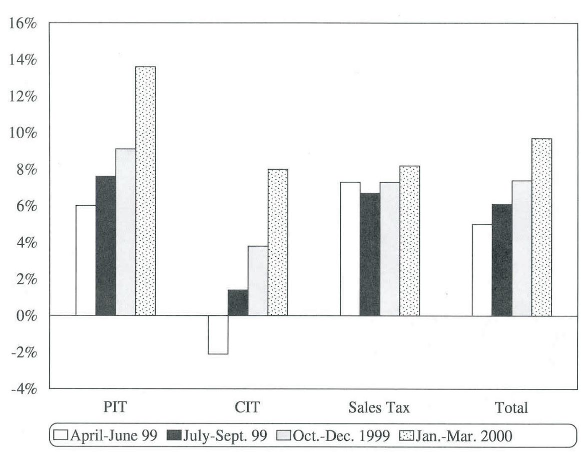


Figure 5
Change in Quarterly Tax Revenue by Tax, Last Four Quarters



nuses are often paid in or around January, boosting withholding. For another, the final quarter of estimated tax payments is generally due in that month as well, giving a hint as to whether upper-income taxpayers have been over or underestimating their tax liability during the rest of the year. And, of course, since the filing deadline for 1999 is April 15, 2000 (in most states), many states being to get an idea of the extent of their refunds in the January-March period, and by the time of this report's publication, may even have an inkling of final settlements through April or May.

In the first quarter of calendar 2000, personal income tax revenue grew 13.6 percent. That was the fastest growth in personal income tax revenue since the second quarter of 1998, and the second highest since this report started tracking quarterly growth rates. Some of this relative strength was deceiving, however, as legislated tax changes had almost no aggregate impact, compared with fairly large negative effects in other recent quarters. Nonetheless, Table 4 shows that the adjusted 13.8 percent was still the third highest adjusted growth rate since this series started.

Twelve states – Arizona, California, Colorado, Idaho, Massachusetts, New Jersey, New York, North Carolina, Ohio, Oregon, Utah and Wisconsin – had double-digit personal income tax growth this quarter. Of these states, four – Massachusetts, Ohio, Oregon and Wisconsin – had tax changes that boosted their growth rates. Massachusetts and Ohio both had temporary, surplus-driven income tax deductions last year (Ohio had a smaller one this year as well). Although Oregon's court-imposed pension exclusion last year was permanent, it was also retroactive for several years, so the impact on last year was much greater than the impact on 2000. Wisconsin was the only one of the four with an actual legislated tax increase this year, rather than a one-time decrease last year – it repealed its property tax credit on the personal income tax. However, this repeal was so unpopular that the credit has been reinstated for tax year 2000. The only state to attain double-digit growth despite a significant legislated tax cut was Colorado, which had a permanent rate reduction.[2]

Interestingly enough, amid all this growth, four states – Delaware, Indiana, Oklahoma and

South Carolina – had declines in personal income tax revenue. Although Delaware, Indiana and Oklahoma were affected by legislated tax cuts, all but Indiana appear to have been affected by other causes of slow growth. Delaware and South Carolina both pointed to electronic filing speeding up refunds (although this would presumably speed up final returns as well, most of those do not come in until around the deadline of April 15th – later, in some states). Delaware suggested as well that, while its final payments were coming in well, its weak withholding was a return to a more sustainable growth rate after very fast growth last year. South Carolina was also coming in below estimate even after adjusting for faster refund processing.

Withholding

Table 5 shows year-over-year withholding growth for the four quarters of calendar 1999. Withholding is a good measure of current strength in personal income tax revenue, since it is based on current wages. In addition, as mentioned above, it tends to include extra revenue from bonuses paid to high-income workers, usually in December and January. Since it is these richer taxpayers who have been driving the trend of exceedingly strong personal income tax revenue growth, this information can foreshadow the strength of the overall personal income tax year.

Withholding is usually much less volatile than either of the other two components of the personal income tax, quarterly estimated / declared payments and final settlements. However, this quarter has seen a continuation of last quarter's ramping up. Unadjusted for the effects of any tax changes, personal income tax withholding grew 11.1 percent. If there had been no major tax cuts, growth would have been slightly higher – about 11.7 percent.

As Table 5 shows, this is much stronger growth than in recent quarters: Thirteen states had double-digit withholding growth, while only Iowa and Missouri had declines that couldn't be explained by tax cuts. Several states commented on this acceleration, which appears to have continued into April in many cases, well past the traditional bonus season. Some have conjectured

Table 5. Change in Personal Income Tax Withholding by State, Last Four Quarters

	1999			*2000*
	Apr-Jun	*July-Sep*	*Oct-Dec*	*Jan-Mar*
United States	**7.2%**	**7.7%**	**9.3%**	**11.1%**
New England	**4.8**	**6.0**	**9.0**	**12.8**
Connecticut	3.7¶	6.2	9.7	8.9
Maine	11.5	5.1	15.9¶	11.2
Massachusetts	3.9¶	5.7¶	8.2¶	14.5
Rhode Island	11.2	7.4¶	5.4¶	ND
Vermont	4.5	6.0	15.0	11.1¶
Mid-Atlantic	**6.0**	**6.2**	**11.3**	**14.8**
Delaware	(9.0)¶	(4.8)¶	(7.4)¶	(7.0)¶
Maryland	ND	7.4	6.5¶	10.4
New Jersey	12.0	(0.9)	14.3	11.2
New York	5.7	8.5	11.7¶	18.6
Pennsylvania	4.0	4.1	6.2	8.4
Great Lakes	**8.2**	**6.7**	**6.5**	**7.3**
Illinois	4.3	4.0	6.1	7.6
Indiana	8.5	7.0	7.6	5.2
Michigan	6.3	7.4	7.2	8.1¶
Ohio	10.4	6.6	5.9	7.5
Wisconsin	12.5	10.4	5.8	ND
Plains	**4.8**	**4.1**	**5.0**	**1.5**
Iowa	(1.7)	4.4	6.2	(1.2)
Kansas	0.2¶	4.8	9.3	9.6
Minnesota	7.2	3.9¶	(1.5)¶	(0.3)¶
Missouri	6.5	3.7	8.4	(2.0)
Nebraska	6.7	5.2	8.6	11.0
North Dakota	2.5	4.7	7.2	7.9
Southeast	**7.4**	**7.6**	**8.8**	**6.0**
Alabama	6.7	4.3	4.0	3.3
Arkansas	4.2	1.0	3.2	5.1¶
Georgia	4.0	14.6	2.6	ND
Kentucky	3.9	ND	12.3	2.6
Louisiana	(3.2)	0.2	4.4	11.1
Mississippi	8.2¶	7.8	9.0¶	5.9
North Carolina	10.0	4.2	8.2	7.6
South Carolina	6.9	5.6	8.5	6.7
Virginia	13.4	10.2	18.4	5.7
West Virginia	5.1	5.7	7.2	3.9
Southwest	**6.6**	**15.1**	**11.6**	**8.5**
Arizona	9.4	28.0	8.0	14.2
New Mexico	4.7¶	4.2	ND	ND
Oklahoma	4.2	6.5	16.3¶	2.2
Rocky Mountain	**7.5**	**7.6**	**4.4**	**9.5**
Colorado	7.3	4.7¶	2.7¶	8.4
Idaho	8.0	7.9	8.2	10.7
Montana	3.7	ND	9.2	4.2
Utah	9.0	10.8	4.8	13.0
Far West	**9.5**	**12.3**	**14.0**	**17.9**
California	11.2	14.0	17.3	19.7
Hawaii	(9.7)¶	(3.2)	(3.2)¶	(0.4)¶
Oregon	6.6	7.4	7.1¶	10.8

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

Table 6. Change in Estimated Payments

	April 1999- Jan. 2000	*Dec.1999- Jan. 2000*	*April 2000*
Average	**11.4%**	**17.1%**	**15.0%**
Alabama	3.1	(3.9)	9.8
Arizona	ND	35.2	ND
Arkansas	2.2	(7.3)	(4.8)
California	26.3	38.1	39.9
Colorado	19.8	32.1	2.2
Connecticut	6.6	14.4	ND
Delaware	9.3	(1.6)	ND
Hawaii	9.7	15.1	(3.5)
Illinois	0.9	0.1	ND
Indiana	13.0	23.6	ND
Iowa	-7.5	2.2	8.5
Kansas	-1.4	2.0	12.9
Louisiana	-7.5	(14.4)	ND
Maine	2.6	(11.2)	(1.4)
Maryland	5.0	2.7	ND
Massachusetts	4.5	11.1	1.9
Michigan	5.6	(4.8)	ND
Mississippi	6.0	1.3	ND
Missouri	2.0	(0.3)	ND
Montana	ND	1.6	3.3
Nebraska	10.7	12.8	5.5
New Jersey	12.0	10.6	ND
New York	13.4	15.5	8.0
North Carolina	(4.8)	(13.4)	ND
North Dakota	ND	(0.7)	0.0
Ohio	(5.7)	(6.2)	(19.8)
Oklahoma	(2.1)	(0.6)	ND
Oregon	5.0	8.4	(0.8)
Pennsylvania	ND	ND	(4.4)
South Carolina	5.5	7.9	10.4
Vermont	0.7	39.6	(11.0)
West Virginia	7.6	19.3	2.7

that stock options are showing up there more, rather than in estimated tax payments.

At any rate, the continued strengthening of this basic element of the personal income tax does not indicate any weakness in this source of revenue in the short term.

Estimated Payments

Although we were able to preview fourth quarter estimated tax payments – due January 15th in most states, but often paid in December for federal income tax purposes – in the previous issue, many states did not have January data by that time. These quarterly payments reflect what the owners of more volatile non-wage sources of income – such as investment and self-employment income – think they will owe by the end of the year. Since these sources have been the engines of income growth recently, it is not surprising that revenue estimators should be particularly concerned about emerging patterns in estimated tax payments.

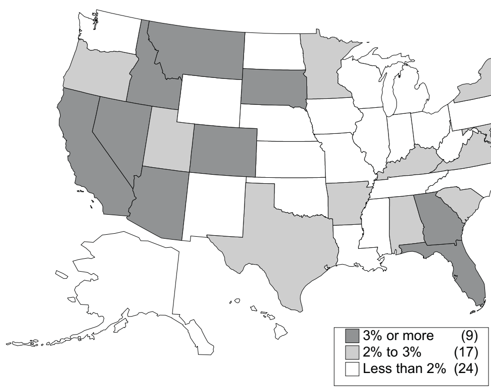
As Table 6 shows, the December/January payment appears to have been quite strong, indicating that taxpayers found they had underestimated earlier in tax year 1999. Table 6 also shows preliminary data for the first quarterly tax payment of tax year 2000, due April 15th in most states. According to this, first quarterly estimated tax payments grew a brisk 15.0 percent over April 1999, indicating that, as of early in the year at any rate, estimated tax payers assumed they would owe yet more in the year to come.

Final Settlements – April/May Preview

Although we will report on this more fully in the next issue, we asked states for information on how close they had come to their forecasts for personal income tax final returns (net of refunds). Of course, states' forecasts ranged greatly. New Mexico, for example, had expected essentially no growth over the prior year, while Virginia expected double-digit growth in final returns and quarterly estimated tax payments. So one state's April surprise could be another's April shock.

On the whole, the general picture appeared bright – no giant surprise to the April surprise in most states, but some biggies, and very few coming in significantly under estimate. This was borne out by results on the federal level as well: the Congressional Budget Office (CBO) reported 10.3 percent personal income tax revenue growth for October-April of 2000 over the same period in 1999, substantially surpassing expectations.[3]

Figure 6
Change in Non-Farm Employment
January-March 1999 to 2000



Only a few states saw particularly large differentials between forecasted and actual final returns. The biggest positive surprise by far was in California, which saw astonishing personal income tax growth. As of mid-May, estimators were expecting that total taxpayer liability for tax year 1999 (i.e., including withholding for calendar 1999, estimated payments from April 1999 – January 2000 and final settlements net of refunds after all extensions are filed) would be on the order of about 24.5 percent over 1998 (after 10.5 percent growth in 1998 over 1997). All segments of the personal income tax were very strong. In addition to this, Massachusetts' final returns grew about 18 percent over last year, and Ohio grew 15 percent, surprising revenue estimators in both states.

Most states reported being either just about on target or slightly over estimate, as far as they could tell. Delaware, New York and Oregon were all somewhat over estimate, while Illinois, Indiana and Michigan were on target.

Some states were below estimate, including several in the Southeast, but nobody reported seeing a steep drop-off in revenues. Louisiana, Virginia and South Carolina are having slower-than-projected filing seasons. Underperformance doesn't necessarily mean slow growth: Virginia had predicted double-digit growth, but is instead closer to eight percent. This is a serious issue for the state's budget, but it does not necessarily portend a major change in the direction of revenue growth. North Carolina was also a bit lower than its original forecast, due to the effects of Hurricane Floyd.

General Sales Tax

The sales tax continued to get stronger in the fourth calendar quarter, growing 8.2 percent over January-March of last year – a full percentage point higher than last quarter, and the strongest growth this tax has had since the first quarter of calendar 1995. In fact, once adjusted for the effects of tax changes, its 8.8 percent growth is the highest in the history of this publication, since the 1995 growth was inflated by legislated sales tax increases. This strength includes the effects of some holiday sales as well as mild weather for construction in many states over the winter months.

In keeping with the strong sales tax picture, an almost unheard-of 11 states – Arizona, California, Colorado, Hawaii, Maine, Minnesota, Nebraska, Ohio, Rhode Island, Wisconsin and Wyoming – had double-digit sales tax growth. Of these, only Nebraska and Wyoming's growth were inflated by a legislated tax change. Nebraska had decreased taxes temporarily during fiscal year 1999, but reverted to the old rates starting in July. Wyoming removed the sales tax exempt status of cigarettes.

Only North Carolina and Vermont had lower sales tax revenue than in the same quarter last year, both due to legislated tax cuts: North Carolina is phasing out its sales tax on groceries, and Vermont exempted clothing under $110 from the sales tax.

Corporate Income Tax

Corporate income tax collections rose 8.0 percent in the first quarter of 2000, the strongest quarter by far in two and a half years. With the exception of this quarter and the first two of 1997, this tax source has either declined or grown only slowly since the beginning of 1996. There is no adequate explanation for this persistent weakness.

States have not, in general, been too concerned about this weakness, since the corporate income tax represents a small share of most states' revenues, and since personal income tax growth has more than made up for this loss. However, several revenue estimators at the state and federal levels commented that their state had seen particularly strong corporate income tax growth this quarter.

Although there are many theories about factors that might have led to the recent weakness and the current slight strength, it is too soon to tell whether this signals a resurgence in this tax. It is by far the most volatile of the major state-level taxes, since payments or refunds of a small number of companies often cause large fluctuations and often have little to do with the current situation of the company or with newly legislated tax provisions.

Underlying Reasons for Trends

These revenue changes reflect three kinds of considerations: differences in state economic growth rates, how this growth affects each state's tax system, and tax changes legislated recently.

State Economies

One of the primary factors that affects state revenue growth is, obviously, the strength of that state's economy. This can be relatively hard to measure except in retrospect, as most data on state economies is available only many months later. Non-farm employment, tracked by the Bureau of Labor Statistics, is about the only broad-based, timely, high-quality economic data available for all 50 states on a timely basis, and it provides a good measure of the "real" economy in the states.

There are some problems inherent in using these data as an indicator of revenue growth. For one thing, most taxes are based upon nominal measures such as income, wages, and profits, rather than employment, but these data are either not available at the state level, or not available on a timely basis. For another, employment data can be subject to large, retroactive revisions. These revisions are mostly made in March, and this year's revisions were generally upward. Thus, the historical quarterly data for some states in Table 7 look a great deal stronger than it did in the last issue of this publication.

Table 7. Year-Over-Year Change In Non-Farm Employment by State, Last Four Quarters*

	1999			*2000*
State	*Apr-Jun*	*July-Sep*	*Oct-Dec*	*Jan-Mar*
United States	**2.2%**	**2.2%**	**2.1%**	**2.2%**
Sum of States	**2.2**	**2.2**	**2.1**	**2.3**
New England	**2.0**	**2.0**	**1.9**	**2.1**
Connecticut	1.9	1.7	1.5	1.5
Maine	2.8	2.8	2.8	2.8
Massachusetts	1.8	1.9	1.9	2.1
New Hampshire	3.0	2.6	2.2	2.4
Rhode Island	1.5	1.4	1.6	2.2
Vermont	1.9	1.8	2.1	2.5
Mid-Atlantic	**2.2**	**2.1**	**2.0**	**1.8**
Delaware	2.9	2.3	3.1	2.9
Maryland	2.9	2.0	2.5	2.9
New Jersey	1.6	1.6	1.7	1.7
New York	2.7	2.7	2.5	2.0
Pennsylvania	1.6	1.6	1.2	1.1
Great Lakes	**1.3**	**1.4**	**1.1**	**1.4**
Illinois	1.2	0.7	0.7	1.1
Indiana	1.9	2.1	1.5	1.8
Michigan	0.2	1.7	0.9	1.1
Ohio	1.2	1.4	1.0	1.3
Wisconsin	2.4	2.2	1.7	1.8
Plains	**1.7**	**1.6**	**1.7**	**1.9**
Iowa	2.1	1.4	1.0	1.5
Kansas	0.9	0.8	0.9	1.8
Minnesota	1.9	2.4	2.2	2.4
Missouri	1.4	1.2	1.9	1.7
Nebraska	1.8	1.6	1.1	1.4
North Dakota	1.6	1.8	1.0	1.6
South Dakota	2.7	2.2	2.9	3.5
Southeast	**2.5**	**2.5**	**2.6**	**2.8**
Alabama	0.8	1.5	1.8	2.2
Arkanas	1.6	1.6	2.1	2.5
Florida	3.6	3.9	3.8	4.2
Georgia	4.1	4.1	4.2	4.2
Kentucky	2.6	2.1	2.5	2.8
Louisiana	(0.2)	0.0	0.9	0.7
Mississippi	2.1	2.1	1.5	1.6
North Carolina	2.4	2.0	2.0	2.0
South Carolina	2.9	2.6	2.6	2.5
Tennessee	1.3	1.2	1.1	1.8
Virginia	2.8	2.3	2.2	2.4
West Virginia	0.9	0.6	0.7	1.2
Southwest	**2.5**	**2.3**	**2.3**	**2.7**
Arizona	4.2	4.2	4.2	4.8
New Mexico	1.2	1.7	1.8	1.9
Oklahoma	1.3	1.2	1.3	1.8
Texas	2.3	2.2	2.1	2.5
Rocky Mountain	**3.2**	**3.1**	**3.4**	**3.6**
Colorado	3.9	3.5	3.8	4.2
Idaho	3.4	3.8	3.9	4.6
Montana	2.2	2.0	2.6	3.1
Utah	2.6	2.5	2.8	2.6
Wyoming	1.5	2.0	2.2	2.0
Far West	**2.6**	**2.5**	**2.5**	**3.0**
Alaska	0.8	1.4	1.1	1.5
California	2.9	2.7	2.6	3.2
Hawaii	0.3	0.8	1.0	1.9
Nevada	6.5	6.5	6.2	5.1
Oregon	1.0	1.3	1.7	2.1
Washington	1.7	1.7	1.5	1.5

Table 8. Change in Tax Revenue by State, July-March, FY1999 to FY2000

	PIT	*CIT*	*Sales*	*Total*
United States	**10.1%**	**4.3%**	**7.4%**	**7.8%**
New England	**8.3**	**(0.2)**	**6.7**	**6.5**
Connecticut	7.1	(28.0)	4.5	3.8
Maine	7.4	49.6	4.8	8.9
Massachusetts	9.1	7.7	8.3	7.1
New Hampshire	NA	(10.5)	NA	19.2
Rhode Island	5.7	(7.6)	12.2	6.4
Vermont	8.1	(23.3)	0.7	1.5
Mid-Atlantic	**10.4**	**(2.2)**	**7.8**	**7.1**
Delaware	(6.7)	19.7	NA	1.1
Maryland	8.6	(3.8)	7.4	8.6
New Jersey	8.9	(7.5)	9.5	7.0
New York	13.4	(3.2)	7.8	8.3
Pennsylvania	4.4	3.8	6.7	4.6
Great Lakes	**6.8**	**3.2**	**7.6**	**6.4**
Illinois	5.4	18.3	7.7	6.9
Indiana	4.7	(7.5)	7.5	4.7
Michigan	6.1	3.1	7.1	6.1
Ohio	7.8	(7.4)	7.9	6.0
Wisconsin	10.1	3.7	8.6	8.8
Plains	**2.8**	**2.2**	**7.5**	**4.7**
Iowa	3.8	(2.0)	2.4	3.4
Kansas	3.0	(0.9)	3.7	2.5
Minnesota	1.4	6.3	9.7	4.6
Missouri	ND	ND	ND	ND
Nebraska	7.1	0.8	18.9	11.8
North Dakota	6.0	(15.3)	2.1	4.8
South Dakota	NA	NA	5.5	4.8
Southeast	**7.6**	**1.1**	**6.1**	**5.9**
Alabama	11.0	2.5	5.1	8.5
Arkansas	2.1	(2.7)	7.0	4.2
Florida	NA	0.8	8.5	6.4
Georgia	8.7	(13.1)	8.0	6.7
Kentucky	4.2	10.0	4.5	4.3
Louisiana	3.5	(54.3)	2.4	2.8
Mississippi	6.3	0.6	5.1	5.8
North Carolina	6.9	19.3	(1.2)	4.5
South Carolina	3.5	(6.9)	5.4	2.8
Tennessee	NA	3.1	6.9	6.9
Virginia	12.0	19.3	6.6	10.2
West Virginia	5.9	(28.1)	1.9	0.3
Southwest	**5.7**	**(2.8)**	**6.9**	**7.3**
Arizona	10.8	0.2	10.3	9.6
New Mexico	5.6	3.1	1.0	5.5
Oklahoma	0.1	(13.0)	0.3	3.8
Texas	NA	NA	7.3	7.6
Rocky Mountain	**9.5**	**12.6**	**6.8**	**7.8**
Colorado	9.3	12.4	9.3	8.9
Idaho	7.9	34.7	6.3	8.2
Montana	6.0	41.0	NA	2.8
Utah	12.8	(15.8)	3.0	6.7
Wyoming	NA	NA	13.9	18.5
Far West	**19.1**	**20.0**	**9.6**	**13.7**
Alaska	NA	(36.1)	NA	38.1
California	21.3	21.1	10.0	16.4
Hawaii	(0.8)	90.6	5.6	3.1
Nevada	NA	NA	6.5	9.8
Oregon	8.3	32.5	NA	9.3
Washington	NA	NA	10.4	2.8

Table 7 shows year-over-year employment growth for each state and for the nation in each of the past four quarters. Figure 6 maps January-April's growth. According to the BLS's national data, the fourth quarter grew 2.2 percent over last year.

As has been the case during most of the recent recovery, employment growth has been fastest in the western regions of the country. The Rocky Mountain region had the strongest growth, at 3.6 percent, and the Far West saw 3.0 percent, not a bad average. The Great Lakes, Mid Atlantic and Plains states were all at the bottom end of the growth scale, all in a range from 1.4 to 1.9 percent. Nine states – Arizona, California, Colorado, Florida, Georgia, Idaho, Montana, Nevada and South Dakota – saw growth of three percent or more. No states saw declines in employment growth this quarter.

Nature of the Tax System

Even if there were some perfect measure of the economy, states' tax systems do not all react to similar economies in the same way. States that rely heavily on the personal income tax tend to have larger increases during periods of economic growth. The more progressive the tax structure is, the faster tax revenue grows relative to income, especially if the state's tax brackets are not indexed to offset the effects of inflation. States that rely mostly on sales taxes do not see this same elastic revenue growth, and those few that rely almost exclusively on corporate income or severance taxes often see wild swings in revenue. Severance taxes are taxes on the removal of natural resources, such as oil and lumber.

This pattern has played out particularly strongly over the course of the past few years. Most states with personal income taxes have had extremely strong growth, partly because the incomes of upper-income (and thus upper-bracket) taxpayers have been growing at a much more rapid pace than those of middle-income taxpayers. Because their incomes are based upon volatile sources, such as stock options and capital gains, growth in the personal income tax has also been far more subject to wild swings than it would ordinarily be. A market downturn that affects relatively few wage earners could turn gains into losses for investors, sharply contracting a hitherto rich source of revenue almost overnight.

Tax Law Changes Affecting This Quarter

The final element that affects trends in tax revenue growth is legislated tax changes. To the extent that states artificially boost or depress their revenue growth with tax increases or cuts, respectively, it is very difficult to draw any conclusions about their current fiscal condition.

The first quarter's revenue was depressed by only about $775 million in legislated tax changes. Although a number of states had large legislated tax cuts, several other states had large changes that increased revenue growth. This was particularly true in the personal income tax, which had an aggregate adjustment of only 69 million dollars in cuts, despite having had some of the largest individual state cuts. Large cuts in Minnesota and New York were swamped by adjustments for legislated tax changes that increased personal income tax growth, such as last year's one-time tax cuts in Massachusetts, Ohio and Oregon, and Wisconsin's (already-repealed) tax increase.

In an unusual train of events, the "other" category provided the largest total amount of tax cuts – about $345 million – with sales tax cuts amounting to only about half as much, and corporate income tax cuts even less. The biggest cuts in other categories were Pennsylvania's assortment of non-CIT business tax cuts and Florida's intangibles tax cut. Florida also had the largest sales tax revenue adjustment this quarter, but much of that was for changes that merely decelerated tax collections, rather than reducing revenue collected.

Tax Law Changes in 2000

With most states finishing their 2000 legislative sessions, it is apparent that this will be another year of tax cuts. That will make 2000 the seventh straight year of net tax cuts in the states. Although most states are able to make cuts while maintaining comfortable spending levels in the current high-revenue-growth climate, some states are hedging their bets by enacting rebates or temporary tax cuts. Only a few states have made tax increases, usually because of local economic conditions.

Eight states have enacted, or their legislatures have passed, personal income tax cuts. Colorado has enacted a rate cut that will cost $112 million a year when it takes full effect. Minnesota has enacted a rate cut of $170 million. Wisconsin re-enacted the previously mentioned property tax/rent credit that it eliminated last year, costing $319 million annually. States that enacted or increased earned income tax credits included: Illinois (new at five percent of the federal EITC), New York (increased to 30 percent of federal EITC), and Virginia (new nonrefundable EITC of 75 percent of federal credit for 2000 only). Idaho enacted a one-year rate cut and Michigan accelerated the phased-in rate cut enacted last year.

Some states are once again using rebates as a method of reducing tax burdens temporarily. Minnesota will send out a sales tax rebate of $658 million. Illinois has enacted a property tax rebate of $280 million. Pennsylvania has also enacted a rebate of property tax, costing $330 million.

The only sales tax rate cut this year has been enacted in Colorado, which will cost the state $71 million a year when fully effective. Florida, Iowa, and Maryland enacted short-term suspensions of the sales tax on clothing, or sales tax "holidays."

Pennsylvania is cutting its capital stock and franchise tax by $303 million annually. The Nebraska legislature has passed $55 million in property tax cuts. South Dakota has cut its property taxes by five percent ($23 million a year), completing the 30 percent cut that Gov. Janklow (R) promised in 1994. Connecticut cut its gas tax by seven cents a gallon. The Florida legislature passed a tax cut of $521 million annually, the largest piece of which was a $278 million intangibles tax cut. In addition to the other cuts above, Minnesota enacted a $170 million a year cut in its license-tab fee. New York enacted a tax cut that will be $1.3 billion when it is fully phased in.

Washington State's government had to find a way to cover the $750 million annual loss of revenue resulting from last year's initiative that replaced the car tax with a flat fee. When a judge invalidated the initiative, the popular cut was quickly put back in place by the legislature and Governor Locke (D). So far, the state has managed to balance its budget by the use of other revenues and a surplus from last year.

In Alabama, the voters approved a referendum to replace the judicially invalidated franchise tax with an increase in the corporate income tax. Kentucky's legislature quickly rejected an ambitious tax reform plan of Governor Patton's (D), and instead passed a modest and revenue-neutral version.

Tax increases have been rare this year. Wyoming made the fourth cent of its sales tax permanent, providing $90 million annually in state and local revenues. Similarly, in Louisiana, the legislature approved a two-year extension of the 3 percent state sales tax on food, bringing in $327 million a year. It is likely that other tax increased will follow as Louisiana tries to balance its budget. In both of these states, revenues have lagged behind the nation.

Meanwhile some states have not yet completed work on their 2000 budgets. Significantly, California is now projecting large surpluses for the current and next fiscal years. In response to this Governor Davis (D) is now proposing $2.4 billion in tax cuts, including a one-time rebate of $1.7 billion. In Massachusetts, it is likely that some kind of personal income tax cut will emerge, however Governor Cellucci (R) and the leaders of the legislature have not agreed on its size. Overall, it seems certain that the net state tax cuts this year will amount to several billion dollars.

Conclusions

The first quarter of calendar 2000 was very strong, with very strong growth in both personal income and sales tax revenue, and decent corporate income tax revenue growth as well, for once. Looking ahead to the second quarter, most states are seeing very good personal income tax growth, especially in their final returns. First quarter personal income tax estimated payments are also seeing good growth, indicating that upper-income taxpayers do not see a radical reduction to their tax payments in the future.

All in all, the immediate future looks bright, and most states are responding by cutting taxes or at least enacting one-time rebates. Given the length of this recovery, this may seem to be a reasonable response. However, states would be well advised to study the recession of the early 1990's, and ensure that they do not cut beyond the point of fiscal stability.

Endnotes

1 In 1999, Oregon had to refund money that a court found it had illegally taxed in earlier years on certain pension benefits. Since the 1999 refund was retroactive, most of that year's revenue loss was one time only, making the first quarter of 2000 seem stronger by comparison.

2 A "significant" legislated change increases or decreases revenue by one percentage point or more.

3 Congressional Budget Office, "Monthly Budget Review, Fiscal Year 2000, A Congressional Budget Office Analysis , Based on the Monthly Treasury Statement for March and the Daily Treasury Statements for April," May 12, 2000: http://www.cbo.gov.

Table 9: State Tax Revenue
January-March, 1999 and 2000 (millions)

	1999				*2000*			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$41,006**	**$6,966**	**$38,103**	**$103,745**	**$46,597**	**$7,525**	**$41,245**	**$113,807**
New England	**3,061**	**641**	**1,904**	**6,863**	**3,456**	**645**	**2,029**	**7,441**
Connecticut	756	163	729	2,022	796	129	764	2,068
Maine	219	21	173	487	224	28	192	524
Massachusetts	1,850	366	811	3,529	2,179	397	873	3,934
New Hampshire	NA	58	NA	217	NA	50	NA	271
Rhode Island	153	23	133	405	166	31	153	445
Vermont	84	11	57	203	91	11	47	199
Mid Atlantic	**10,397**	**1,767**	**5,288**	**21,429**	**11,906**	**1,637**	**5,729**	**23,273**
Delaware	170	21	NA	443	151	18	NA	433
Maryland	1,098	92	571	1,845	1,183	109	619	1,997
New Jersey	1,635	197	1,230	3,766	1,812	107	1,343	3,984
New York	5,848	1,086	1,885	10,055	6,981	1,042	2,052	11,328
Pennsylvania	1,645	371	1,603	5,320	1,779	360	1,716	5,532
Great Lakes	**7,268**	**1,758**	**5,936**	**17,979**	**7,955**	**2,045**	**6,475**	**19,584**
Illinois	1,978	313	1,337	4,417	2,155	556	1,444	4,871
Indiana	923	89	879	2,486	907	109	945	2,601
Michigan	1,577	523	1,637	4,814	1,636	620	1,775	5,211
Ohio	1,499	634	1,312	3,899	1,740	567	1,456	4,202
Wisconsin	1,291	199	771	2,362	1,518	193	855	2,698
Plains	**2,843**	**351**	**2,074**	**5,782**	**3,005**	**368**	**2,257**	**6,158**
Iowa	600	74	388	1,165	630	62	403	1,203
Kansas	393	37	386	875	394	14	410	872
Minnesota	1,558	189	925	2,903	1,661	235	1,027	3,153
Missouri	ND	ND	ND	ND	ND	ND	ND	ND
Nebraska	236	34	196	498	259	39	227	564
North Dakota	56	17	82	198	60	18	86	216
South Dakota	ND	ND	97	144	ND	ND	104	105
Southeast	**7,267**	**1,170**	**9,834**	**22,287**	**7,729**	**1,166**	**10,480**	**23,398**
Alabama	547	47	399	1,419	580	48	431	1,569
Arkansas	423	59	384	921	435	51	410	959
Florida	NA	284	3,292	4,602	NA	278	3,589	4,798
Georgia	1,521	184	1,072	3,059	1,645	93	1,172	3,164
Kentucky	561	13	562	1,387	574	32	596	1,461
Louisiana	332	31	511	1,153	356	12	529	1,238
Mississippi	295	101	545	1,230	311	112	568	1,303
North Carolina	1,543	192	801	2,858	1,770	288	786	3,093
South Carolina	383	77	453	1,078	352	45	474	1,029
Tennessee	NA	114	1,074	1,706	NA	134	1,150	1,859
Virginia	1,457	50	516	2,254	1,495	52	542	2,294
West Virginia	205	18	225	619	212	22	235	631
Southwest	**979**	**165**	**5,122**	**8,846**	**1,050**	**153**	**5,521**	**9,594**
Arizona	379	62	647	1,089	490	52	720	1,263
New Mexico	144	35	287	558	144	49	294	601
Oklahoma	456	68	350	1,019	416	52	355	1,025
Texas	NA	NA	3,837	6,179	NA	NA	4,153	6,704
Rocky Mountain	**1,474**	**125**	**968**	**3,217**	**1,677**	**141**	**1,051**	**3,554**
Colorado	698	41	425	1,215	799	40	467	1,349
Idaho	193	17	165	489	215	18	178	546
Montana	311	38	NA	640	327	56	NA	671
Utah	272	29	328	740	336	28	346	818
Wyoming	NA	NA	51	133	NA	NA	59	169
Far West	**7,717**	**988**	**6,977**	**17,343**	**9,818**	**1,368**	**7,703**	**20,806**
Alaska	NA	10	NA	129	NA	15	NA	288
California	6,775	948	4,880	13,141	8,613	1,298	5,415	15,912
Hawaii	239	7	369	687	247	17	422	766
Nevada	NA	NA	446	576	NA	NA	469	630
Oregon	704	23	NA	755	958	38	NA	1,029
Washington	NA	NA	1,282	2,056	NA	NA	1,395	2,182

Table 10: State Tax Revenue
July-March, Fiscal Years 1999 and 2000 (millions)

	Fiscal Year 1999				*Fiscal Year 2000*			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$116,310**	**$20,007**	**$112,438**	**$296,999**	**$128,095**	**$20,875**	**$120,809**	**$320,076**
New England	**9,064**	**1,267**	**5,434**	**19,168**	**9,817**	**1,265**	**5,800**	**20,421**
Connecticut	2,509	257	1,890	5,162	2,205	185	1,976	5,359
Maine	616	71	549	1,439	661	106	575	1,567
Massachusetts	5,611	750	2,421	10,216	6,121	808	2,623	10,944
New Hampshire	ND	119	ND	612	ND	106	ND	730
Rhode Island	518	37	416	1,148	547	34	467	1,222
Vermont	260	34	158	590	282	26	159	599
Mid Atlantic	**26,779**	**5,023**	**15,427**	**56,693**	**29,550**	**4,913**	**16,626**	**60,707**
Delaware	558	45	NA	1,184	521	54	NA	1,197
Maryland	2,616	258	1,502	4,716	2,842	249	1,613	5,123
New Jersey	3,986	814	3,280	9,766	4,340	753	3,593	10,452
New York	15,145	2,805	5,753	27,655	17,178	2,715	6,201	29,949
Pennsylvania	4,474	1,100	4,892	13,373	4,669	1,143	5,219	13,985
Great Lakes	**20,472**	**4,203**	**18,174**	**51,187**	**21,862**	**4,340**	**19,561**	**54,461**
Illinois	5,284	857	4,188	12,344	5,570	1,014	4,510	13,191
Indiana	2,440	572	2,568	7,405	2,554	529	2,760	7,755
Michigan	4,844	1,672	5,242	14,733	5,138	1,724	5,612	15,629
Ohio	4,493	639	4,065	10,239	4,845	592	4,388	10,851
Wisconsin	3,412	464	2,111	6,465	3,755	481	2,291	7,036
Plains	**7,691**	**1,062**	**6,288**	**16,527**	**7,904**	**1,085**	**6,758**	**17,299**
Iowa	1,577	207	1,228	3,241	1,637	202	1,257	3,351
Kansas	1,131	134	1,191	2,661	1,165	132	1,236	2,727
Minnesota	4,127	578	2,751	8,148	4,186	614	3,019	8,521
Missouri	ND	ND	ND	ND	ND	ND	ND	ND
Nebraska	722	91	562	1,476	774	92	669	1,650
North Dakota	134	53	249	564	142	45	255	591
South Dakota	ND	ND	306	438	ND	ND	323	459
Southeast	**21,581**	**3,803**	**28,811**	**64,884**	**23,223**	**3,846**	**30,574**	**68,738**
Alabama	1,497	169	1,222	4,012	1,661	173	1,285	4,355
Arkansas	1,132	148	1,164	2,610	1,156	144	1,245	2,719
Florida	ND	818	9,320	12,628	ND	824	10,114	13,430
Georgia	4,278	529	3,295	8,861	4,651	460	3,559	9,459
Kentucky	1,770	165	1,684	4,262	1,844	182	1,760	4,444
Louisiana	907	122	1,351	3,198	939	56	1,383	3,289
Mississippi	802	240	1,625	3,522	853	241	1,708	3,726
North Carolina	4,735	714	2,505	8,753	5,063	852	2,474	9,149
South Carolina	1,682	159	1,204	3,497	1,741	148	1,270	3,594
Tennessee	ND	403	3,210	4,977	ND	415	3,431	5,323
Virginia	4,174	229	1,546	6,691	4,677	273	1,648	7,374
West Virginia	604	107	684	1,873	640	77	696	1,878
Southwest	**3,364**	**541**	**15,215**	**26,607**	**3,557**	**526**	**16,258**	**28,548**
Arizona	1,497	293	1,889	3,703	1,659	293	2,084	4,060
New Mexico	508	102	871	1,739	536	105	880	1,834
Oklahoma	1,359	146	1,034	3,018	1,361	127	1,038	3,134
Texas	ND	ND	11,421	18,147	ND	ND	12,257	19,521
Rocky Mountain	**4,270**	**387**	**2,916**	**8,992**	**4,677**	**436**	**3,114**	**9,695**
Colorado	2,213	152	1,267	3,763	2,419	170	1,385	4,097
Idaho	566	52	527	1,441	610	70	560	1,559
Montana	512	72	ND	1,054	543	102	ND	1,083
Utah	980	111	993	2,412	1,106	94	1,022	2,574
Wyoming	ND	ND	129	322	ND	ND	147	382
Far West	**23,089**	**3,721**	**20,173**	**52,942**	**27,506**	**4,465**	**22,118**	**60,208**
Alaska	ND	123	ND	493	ND	78	ND	681
California	19,744	3,427	13,808	38,838	23,956	4,150	15,193	45,226
Hawaii	792	17	1,082	2,118	786	32	1,142	2,185
Nevada	ND	ND	1,352	1,738	ND	ND	1,440	1,909
Oregon	2,552	155	ND	2,809	2,764	205	ND	3,069
Washington	ND	ND	3,931	6,946	ND	ND	4,342	7,139

Technical Notes

This report is based on information collected from state officials, most often in state revenue departments, but in some cases from state budget offices and legislative staff. This is the fortieth in a series of such reports published by the Rockefeller Institute's Fiscal Studies Program (formerly the Center for the Study of the States.)

In most states, revenue reported is for the general fund only, but in several states a broader measure of revenue is used. The most important category of excluded revenues in most states is motor fuel taxes. Taxes on health-care providers to fund Medicaid programs are excluded as well.

California: non-general fund revenue from a sales tax increase dedicated to local governments is included.

Michigan: The Single Business Tax, a type of value-added tax, is treated here as a corporation income tax.

Several caveats are important. First, tax collections during a period as brief as three months are subject to influences that may make their interpretation difficult. For example, a single payment from a large corporation can have a significant effect on corporate tax revenues.

Second, estimates of tax adjustments are imprecise. Typically the adjustments reflect tax legislation, however they occasionally reflect other atypical changes in revenue. Unfortunately, we cannot speak with every state in every quarter. We discuss tax legislation carefully with the states that have the largest changes, but for states with smaller changes we rely upon our analysis of published sources and upon our earlier conversations with estimators.

Third, revenue estimators cannot predict the quarter-by-quarter impact of certain legislated changes with any confidence. This is true of almost all corporate tax changes, which generally are reflected in highly volatile quarterly estimated tax payments; to a lesser extent it is true of personal income tax changes that are not implemented through withholding.

Finally, many other non-economic factors affect year-over-year tax revenue growth: changes in payment patterns, large refunds or audits, and administrative changes frequently have significant impacts on tax revenue. It is not possible for us to adjust for all of these factors.

This report contains first calendar quarter revenue data for 49 states. Missouri was still having problems with its new revenue tracking system and personnel turnover and should be back on track by next fiscal year.

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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 50 states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others. Donald J. Boyd, who has spent two decades analyzing state and local fiscal issues, is director of Fiscal Studies.

This report was written by Elizabeth I. Davis, the Program's Senior Policy Analyst. The section on tax cuts in 2000 was written by graduate assistant Nicholas Jenny. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report.

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