

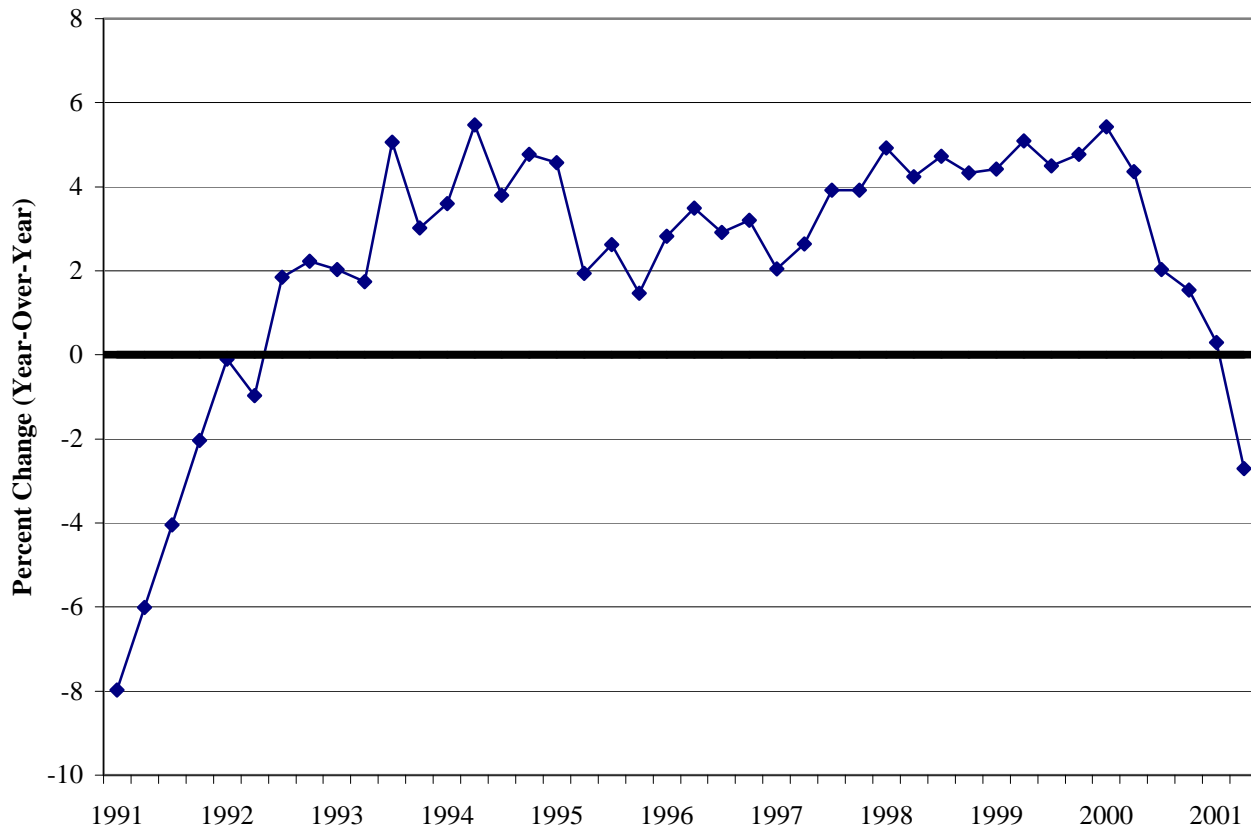
## Sales Tax Growth Slump Gets Worse

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The Rockefeller Institute State Fiscal News: Vol. 1, No. 5  
October 10, 2001

State sales tax growth continued to slow in the April-June 2001 quarter, declining to 0.5 percent from 8.2 percent in January-March of 2000. Over the last year, growth has slowed in 39 of 45 states with a general sales tax. This is the slowest growth in the nearly ten years since the last recession. Adjusted for the effects of legislated changes and inflation, real sales tax revenues decreased by 2.7 percent compared to the previous year; this is the first adjusted decrease in the sales tax since 1992.

Figure 1 shows the long-term trend in real sales tax growth. The sales tax growth rate has been declining for five quarters now. There had not been more than two quarters in a row of declining growth since the recession of the early 1990's. Even though we are now seeing a decrease in real sales tax revenues, it is not yet as bad as the depths of that recession, when we saw adjusted real sales tax revenue drop off by up to eight percent.

**Figure 1: Real Quarterly Change in Sales Tax Revenues**



Data adjusted for inflation and legislated tax changes

Source: State revenue data collected by The Nelson A. Rockefeller Institute of Government.

While the sales tax slowdown has been widespread, its magnitude shows a regional pattern. Table 1 shows that growth slowed in 39 of the 45 states that have a general sales tax, when comparing the last four quarters to the previous six quarters. Every region had some decline, but as shown in Figure 2 the West has joined the Great Lakes and Plains regions with higher than average declines. Twelve states had declines of over 5 percent – Alabama, California, Florida, Illinois, Indiana, Maine, Michigan, Minnesota, Nebraska, Ohio, Tennessee, Vermont, and Washington.

**Table 1: Slowdown in Sales Tax Growth Adjusted for Legislation**  
Average Growth in Four Most Recent Quarters Minus Average Growth in Previous Six Quarters

State	Change in Percentage		Change in Percentage
<b>United States Total:</b>	<b>(3.8)</b>	<b>Southeast</b>	<b>(3.7)</b>
<b>New England</b>	<b>(2.4)</b>	Alabama	(5.0)
Connecticut	(1.5)	Arkansas	(3.6)
Maine	(5.1)	Florida	(6.3)
Massachusetts	(3.3)	Georgia	(0.2)
Rhode Island	2.3	Kentucky	(3.4)
Vermont	(8.6)	Louisiana	7.5
<b>Mid Atlantic</b>	<b>(2.7)</b>	Mississippi	(4.6)
Maryland	(0.7)	North Carolina	(1.6)
New Jersey	(2.6)	South Carolina	(3.6)
New York	(2.0)	Tennessee	(5.4)
Pennsylvania	(4.4)	Virginia	(3.4)
<b>Great Lakes</b>	<b>(5.5)</b>	West Virginia	(1.8)
Illinois	(5.8)	<b>Southwest</b>	<b>(1.9)</b>
Indiana	(5.4)	Arizona	(4.0)
Michigan	(5.6)	New Mexico	7.1
Ohio	(6.0)	Oklahoma	2.7
Wisconsin	(4.3)	Texas	(2.6)
<b>Plains</b>	<b>(4.1)</b>	<b>Rocky Mountain</b>	<b>(1.6)</b>
Iowa	(1.0)	Colorado	(2.3)
Kansas	(3.8)	Idaho	(3.2)
Minnesota	(7.1)	Utah	(0.7)
Missouri	(0.7)	Wyoming	(3.2)
Nebraska	(7.5)	<b>Far West</b>	<b>(5.0)</b>
North Dakota	2.2	California	(5.3)
South Dakota	(1.1)	Hawaii	3.9
		Nevada	(2.9)
		Washington	(6.5)

Note: The comparison is between the average growth rate for the 6 quarters from January 1999 through June 2000 and the average growth rate for the 4 quarters from July 2000 through June 2001.

The missing states do not have a general sales tax.

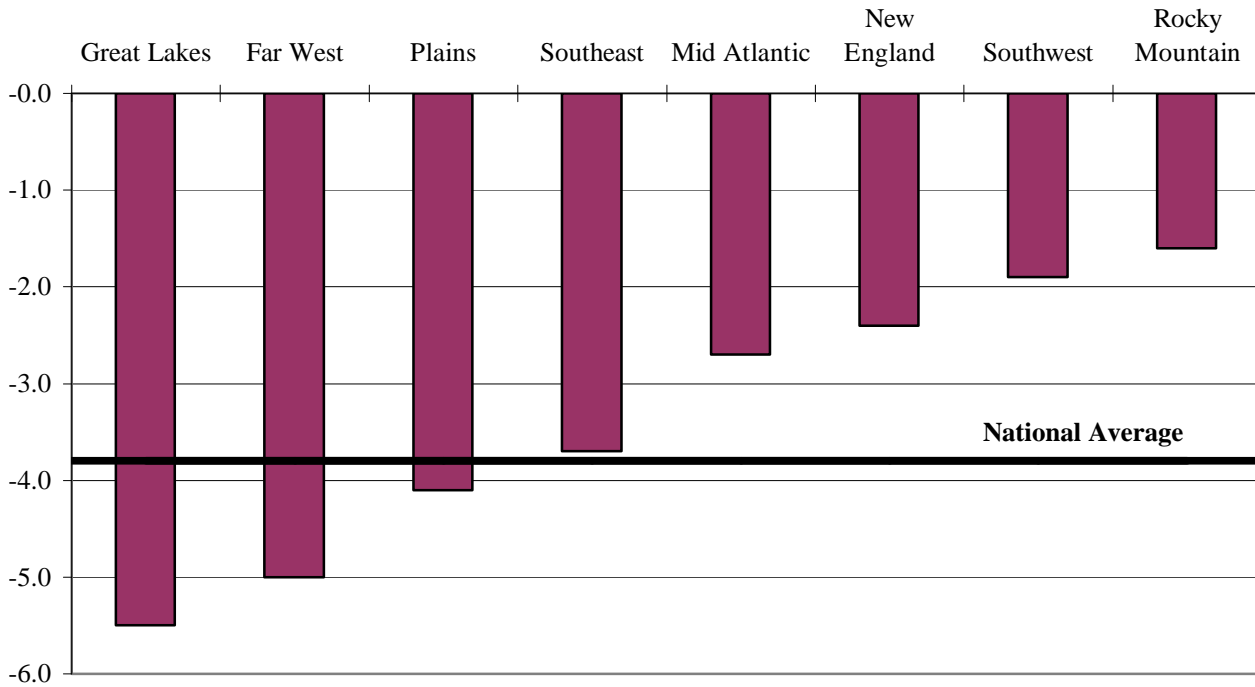
Parentheses indicate negative numbers.

Numbers reflect adjustments for the effects of legislated tax changes, but not inflation, which would have had only a minor effect anyway.

Source: State revenue data collected by The Nelson A. Rockefeller Institute of Government.

## Figure 2: Slowdown in Sales Tax Growth By Region

Average Growth in Four Most Recent Quarters Minus Average Growth in Previous Six Quarters



Note: The comparison is between the average growth rate for the 6 quarters from January 1999 through June 2000 and the average growth rate for the 4 quarters from July 2000 through June 2001.

Numbers reflect adjustments for the effects of legislated tax changes, but not inflation, which would have had only a minor effect anyway.

Source: State revenue data collected by The Nelson A. Rockefeller Institute of Government.

The Nelson A. Rockefeller Institute of Government is the public policy research arm of the State University of New York. Nick Jenny is a Policy Analyst in the Institute's Fiscal Studies Program, and Don Boyd is Deputy Director of the Institute. All data used in this report is from the Institute's state revenue database. For more, see the *State Revenue Report*.