

## **State Tax Revenue Declines for a Second Quarter** **October-December 2001 Preliminary State Revenues**

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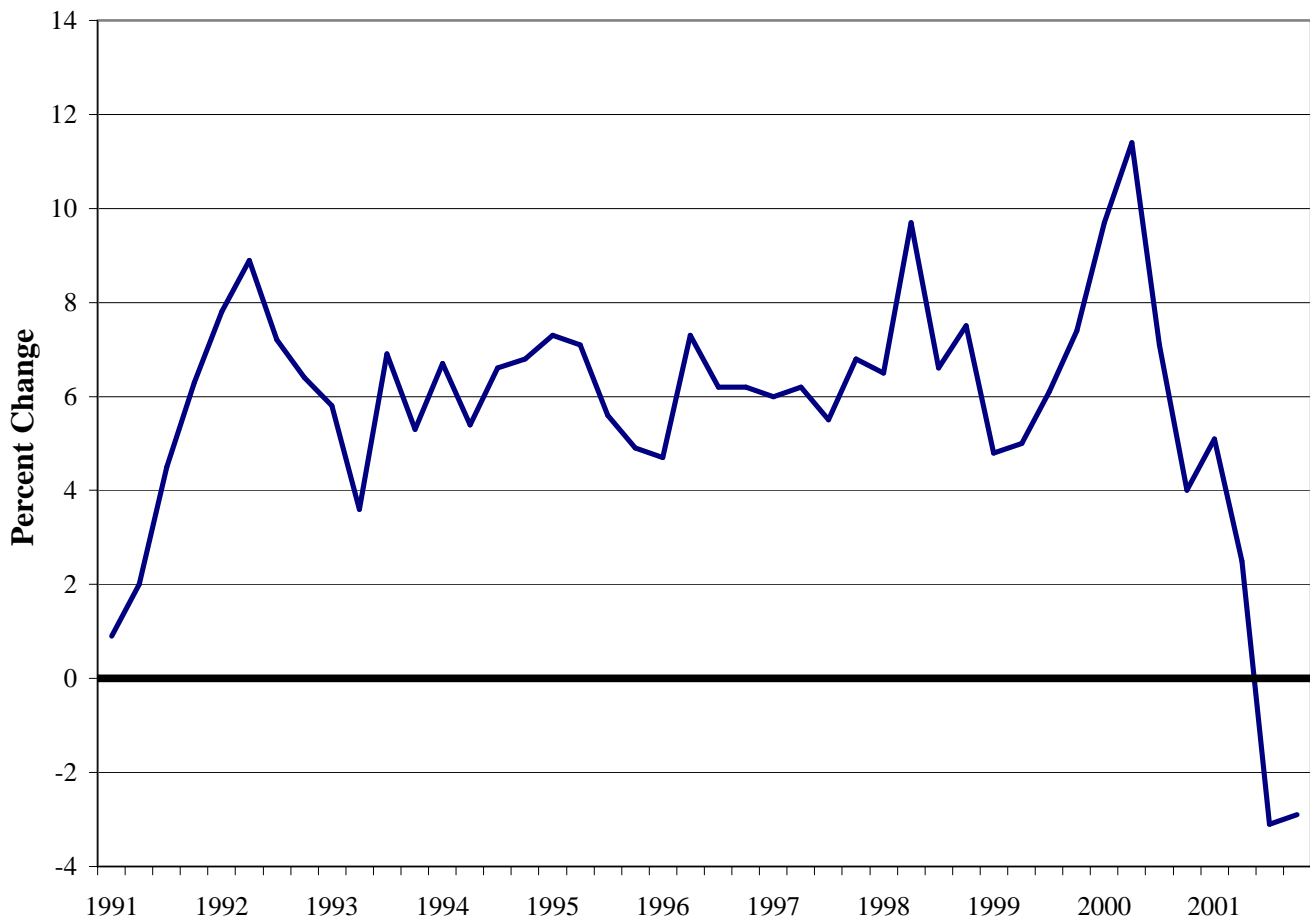
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Preliminary revenue numbers for the October-December 2001 quarter show that total state tax revenues declined by 2.9 percent, the second large year-over-year drop in a row. All major tax sources were weak: personal income tax revenues declined 3.0 percent, sales tax revenue recovered slightly but was still weak, growing 0.9 percent for the quarter, and corporate income tax revenues declined sharply for the fifth quarter in a row, falling by 34.7 percent. These numbers for the October-December quarter are preliminary and subject to change, but are likely to give a good overall picture of the quarter's weakness. Figure 1 charts the changes in total state tax collections over the last eleven years, and Table 1 breaks this down for the major types of tax.

**Figure 1.**

### **Year-Over-Year Change in Total Tax Collections, 1991-2001**



Source: Data compiled by the Fiscal Studies Program of the Nelson A. Rockefeller Institute of Government

<b>Table 1. Year-Over-Year Percentage Change in Quarterly State Tax Revenue by Major Tax</b>				
	<b>PIT</b>	<b>CIT</b>	<b>Sales Tax</b>	<b>Total</b>
<b>1995</b>				
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
<b>1996</b>				
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
<b>1997</b>				
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
<b>1998</b>				
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
<b>1999</b>				
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
<b>2000</b>				
Jan.-Mar.	13.6	8.0	8.2	9.7
April-June	18.8	4.2	7.3	11.4
July-Sept.	11.0	5.7	4.6	7.1
Oct.-Dec.	5.8	(7.7)	4.2	4.0
<b>2001</b>				
Jan.-Mar.	8.7	(9.1)	3.4	5.1
April-June	5.4	(13.1)	0.5	2.5
July-Sept.	(3.7)	(24.0)	0.0	(3.1)
Oct.-Dec.(p)	(3.0)	(34.5)	0.9	(2.9)
(p) - preliminary				
Note: Please Call Fiscal Studies Program for pre-1995 data.				

<b>Table 2. Percentage Change in Total Quarterly Tax Revenue by State</b>			
<b>October-December, 2000 to 2001 (preliminary)</b>			
Alaska	(60.7)	South Dakota	(1.0)
Oregon	(23.1)	Vermont	(0.6)
Idaho	(14.9)	Mississippi	(0.6)
California	(12.3)	Florida	0.0
Colorado	(8.2)	Hawaii	0.0
New Jersey	(7.8)	New York	0.7
Rhode Island	(7.6)	Iowa	0.8
Arizona	(7.6)	New Mexico	0.8
Massachusetts	(7.0)	New Hampshire	1.0
Georgia	(5.9)	Pennsylvania	1.4
Connecticut	(3.9)	Arkansas	1.5
South Carolina	(3.9)	Ohio	1.6
Oklahoma	(3.8)	Virginia	2.5
Texas	(3.1)	Kentucky	2.6
Alabama	(3.0)	Michigan	3.0
		Nebraska	3.2
<b>United States</b>	<b>(2.9)</b>	Illinois	3.9
		Maine	5.5
Tennessee	(2.7)	Wisconsin	6.5
Minnesota	(2.1)	Delaware	6.8
Wyoming	(2.0)	North Dakota	8.4
Maryland	(1.6)	West Virginia	9.7
Utah	(1.2)	Montana	12.3
Note: Numbers in parentheses are negative.			

Table 2 shows the percentage change in total quarterly tax revenue, ordered from the states with the largest declines to the states with the largest increases. It only includes states for which we have data for the whole October-December quarter. Alaska's large drop is attributable to its heavy reliance on volatile taxes tied to oil production. Oregon and Idaho both have large tax cuts that account for much of their revenue declines. Most other declines, however, are likely to reflect underlying weakness in tax revenue. In all, revenues declined in 23 of the 43 states for which we have the whole quarter's numbers.

This revenue decline was smaller than that in the July-September quarter, when revenues declined by 3.1 percent year-over-year. This is consistent with the slight recovery in the GDP, which grew by 0.2 percent in the October-December quarter after declining by 1.3 percent in the July-September quarter. On the other hand, much of the GDP growth is attributable to high automobile sales. These sales were often at reduced prices, thus not providing much profit, but still generating sales tax revenues, which may account for the stronger sales tax performance in the October-December quarter. In addition, some tax collections may have been delayed from September into the October-December quarter because of the September 11th attacks.

<sup>1</sup> United State Department of Commerce, Bureau of Economic Analysis, New Release, January 30, 2002.

Note that the GDP figures reflect quarter-to-quarter growth and so are not directly comparable to the year-over-year tax revenue decline reported here.

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

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