

Large Decline in April-June 2002 Quarter Caps Terrible Fiscal Year for States

Preliminary State Tax Revenues

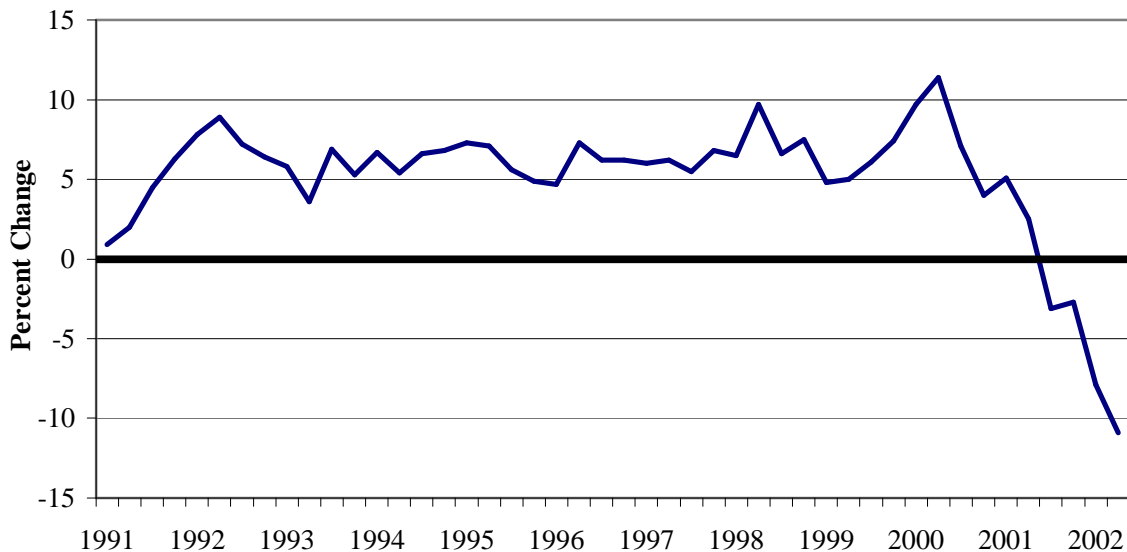
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Preliminary revenue numbers for the April-June 2002 quarter show that total state tax revenues declined by nearly eleven percent, the fourth straight quarter of declining tax revenues. The decline in the April-June quarter came at the end of what was for most states a horrible fiscal year for revenue collections. The huge 23 percent decline in personal income tax revenue is largely a result of a large decline in payments with returns - due in April in most states. Sales tax revenue did grow, but by only a modest 1.2 percent. Corporate income tax revenues declined for the seventh quarter in a row, falling by 12.5 percent. The numbers for the April-June 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 since 1991, and Table 1 breaks this down for the major types of tax since 1996.

Figure 1.
Year-Over-Year Change in Total Tax Collections, 1991-2002



Source: The Fiscal Studies Program of the Nelson A. Rockefeller Institute of Government.

Table 1. Year-Over Change in Quarterly State Tax Revenue by Major Tax.				
	PIT	CIT	Sales Tax	Total
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
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
2001				
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.	(2.7)	(31.8)	1.0	(2.7)
2002				
Jan.-Mar.	(14.3)	(18.4)	(1.0)	(7.9)
April-June(p)	(23.0)	(12.5)	1.2	(10.9)

(p) - preliminary

Note: Numbers in parentheses are negative.

Table 2. Percentage Change in Total Quarterly Tax Revenue by State.	
April-June, 2001 to 2002 (preliminary)	
California	(24.7)
Oregon	(24.1)
New York	(19.4)
Connecticut	(19.0)
Vermont	(18.8)
Idaho	(14.5)
Alaska	(14.4)
Colorado	(13.8)
Arizona	(11.2)
United States	(10.9)
Illinois	(9.4)
North Dakota	(9.3)
Nebraska	(8.4)
Maryland	(8.0)
Hawaii	(7.4)
Michigan	(7.3)
Utah	(7.3)
Pennsylvania	(7.2)
Texas	(7.2)
Iowa	(6.9)
Maine	(4.6)
Indiana	(4.4)
Tennessee	(4.3)
Montana	(4.3)
New Hampshire	(3.4)
Arkansas	(3.0)
Alabama	(1.2)
Ohio	(1.1)
South Dakota	(1.0)
Wisconsin	(0.3)
Wyoming	(0.2)
Mississippi	(0.1)
Missouri	0.0
Florida	1.8
Georgia	2.1
West Virginia	3.8
Minnesota	36.9

Data from Nelson A. Rockefeller Institute of Government Revenue Report Database

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 April-June quarter. We have not adjusted these numbers for legislated tax changes, or for any processing changes or glitches that may have affected the quarter's collections. The large increase in Minnesota was the effect of last year's rebate – not repeated this year, and a new state property tax. For the most part, the large declines are due to actual underlying revenue weakness. In all, revenues declined in 31 of the 36 states for which we have the whole quarter's numbers.

Much of this decline is attributable to the effects of the recession on revenue collected on economic activity in 2001. This included depressed collections from final payments in April, and increasing refund payments – many paid out in the April-June quarter. The small increase in the sales tax may be a hopeful sign for revenue collections as 2002 progresses. However, the states now have to climb out of a considerable revenue hole.

Updated and expanded state tax revenues numbers, as well as adjustments for tax law changes and processing will be available in the forthcoming *State Revenue Report* covering the April-June quarter.

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