

STATE REVENUE REPORT

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State Tax Revenue — Slowing Again

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HIGHLIGHTS

- ❖ State tax revenue growth is slowing, and the general economic situation remains mixed.
- ❖ State tax revenue in the January-March 2003 quarter increased by 1.4 percent compared to the same period in 2002. After adjusting for tax law changes and inflation, however, real underlying state tax revenue declined by 3.7 percent, continuing the adjusted decline for a seventh straight quarter.
- ❖ States enacted net tax increases for the fifth quarter in a row. This quarter's increases added an estimated \$2.6 billion to state tax revenue.
- ❖ Personal income tax revenue declined by 3.1 percent, marking a seventh straight quarter of decline.
- ❖ Corporate income tax revenue increased by 10.3 percent, but this was due entirely to enacted tax increases.
- ❖ Sales tax revenue increased by a sluggish 1.9 percent.

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Figure 1. Year-Over-Year Change in Total Tax Collections, 1991-2003

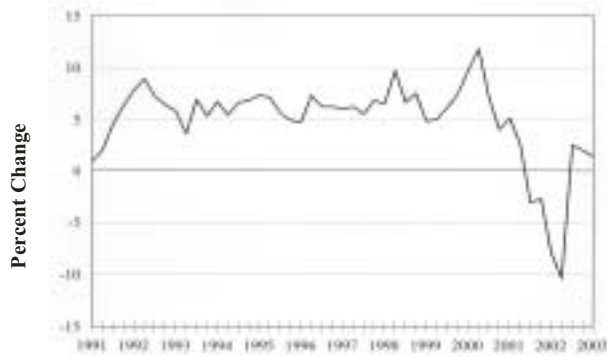


Figure 2. Year-Over-Year Change in Real Adjusted Tax Revenue, 1991-2003



Table 1. Year-Over-Year Change in Quarterly State Tax Revenue, Adjusting for Legislated Tax Changes and Inflation

	Total Nominal Increase	Adjusted Nominal Increase	Inflation Rate	Real Increase
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
April-June	11.4	11.8	3.3	8.2
July-Sept.	7.1	7.7	3.5	4.1
Oct.-Dec.	4.0	5.0	3.4	1.5
2001				
Jan.-Mar.	5.1	6.3	3.4	2.8
April-June	2.6	4.2	3.4	0.8
July-Sept.	(3.1)	(2.4)	2.7	(5.0)
Oct.-Dec.	(2.7)	(2.3)	1.9	(4.1)
2002				
Jan.-Mar.	(7.8)	(8.2)	1.2	(9.3)
April-June	(10.4)	(11.9)	1.3	(13.0)
July-Sept.	2.5	0.7	1.6	(0.9)
Oct.-Dec.	1.9	0.3	2.2	(1.9)
2003				
Jan.-Mar.	1.4	(0.9)	2.9	(3.7)

Note: Inflation is measured by the Consumer Price Index. Please call the Fiscal Studies Program for pre-1996 data.

Table 2. Year-Over-Year Change in Quarterly State Tax Revenue by Major Tax

	PIT	CIT	Sales	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	4.7	7.1
Oct.-Dec.	5.7	(7.7)	4.1	4.0
2001				
Jan.-Mar.	8.6	(9.1)	3.3	5.1
April-June	5.6	(13.7)	0.5	2.6
July-Sept.	(3.4)	(25.5)	0.0	(3.1)
Oct.-Dec.	(2.7)	(31.8)	1.0	(2.7)
2002				
Jan.-Mar.	(14.3)	(16.1)	(1.0)	(7.8)
April-June	(22.3)	(11.7)	1.5	(10.4)
July-Sept.	(1.6)	4.8	3.8	2.5
Oct.-Dec.	(0.7)	22.4	0.7	1.9
2003				
Jan.-Mar.	(3.1)	10.3	1.9	1.4

Note: Please call the Fiscal Studies Program for pre-1996 data.

Introduction

State tax revenue grew by 1.4 percent in the January-March quarter of 2003. This was the third straight quarter of sluggish growth and is in comparison to a quarter of sharp decline a year ago. The slight growth this quarter is the result of net enacted tax increases. Without them, state tax revenue would have declined by 0.9 percent. (See Table 1.) If we also take the effects of inflation into account, real adjusted state tax revenue actually declined by 3.7 percent — suggesting continued weakness in the economic situation underlying state tax collections.

Personal income tax revenue was down by 3.1 percent this quarter, the seventh straight quarter of decline. Sales tax revenue increased by a modest 1.9 percent, while enacted tax increases spurred a 10.3 percent jump in corporate income tax collections. Significant increases in tobacco taxes also boosted total tax collections.

Tax Revenue Change

Table 1 shows tax revenue changes for the last 29 quarters before and after adjusting for legislated tax changes and inflation. Year-over-year state tax revenue growth has been weakening over the last three quarters. Growth was 2.5 percent in July-September 2002, 1.9 percent in October-December 2002, and 1.4 percent in January-March 2003. Figure 1 shows the pattern of growth or decline in state tax collections from 1991 to the present. In this past quarter growth was fueled by net enacted tax increases. Without these tax increases, state tax revenue would have declined by 0.9 percent in the January-March quarter. If we adjust for the effect of inflation, the decline would have been 3.7 percent. Figure 2 shows the pattern of growth in state tax revenue adjusted for inflation and enacted tax increases from 1991 to the present. This is the seventh straight quarter with a decline in revenue after adjusting for inflation and enacted tax changes. This means that states are steadily losing ground on the revenue side of their budgets, even before we consider factors such as population growth and its attendant increases in demand for state services.

Table 3. Percent Change in Quarterly Tax Revenue by State, January-March 2002 to 2003

	<i>PIT</i>	<i>CIT</i>	<i>Sales</i>	<i>Total</i>
United States	(3.1)%	(10.3)%	1.9%	1.4%
New England	(4.9)	28.7	(1.1)	1.1
Connecticut	(8.1)	48.4	(1.6)	1.2*
Maine	(1.0)	45.7	2.5	1.1*
Massachusetts	3.4	16.9	(2.5)	0.9*
New Hampshire	NA	12.4	NA	2.1
Rhode Island	(7.2)¶	105.7	3.1	2.8*
Vermont	(12.3)	NM	0.9	4.3*
Mid-Atlantic	(2.9)	16.4	(0.1)	1.1
Delaware	1.0	NM	NA	6.1
Maryland	(2.8)	(27.3)	(0.3)	(2.4)*
New Jersey	(5.9)	64.0*	(3.3)	0.6*
New York	2.7	11.9	0.1¶	(1.2)
Pennsylvania	(0.9)	8.2	2.6	6.8*
Great Lakes	2.3	4.1	3.6	4.2
Illinois	(3.8)	4.5	(2.8)	(3.3)*
Indiana	4.9	13.8¶	19.1*	16.9*
Michigan	(2.7)¶	(16.9)	4.4	2.2
Ohio	5.3*	18.0	1.8	7.2*
Wisconsin	15.0	18.7	(1.2)	7.7
Plains	(3.2)	12.5	4.5	3.0
Iowa	(2.4)	5.1	(0.1)¶	(1.2)
Kansas	(9.4)	1,630.0*	4.3*	3.0*
Minnesota	(2.7)	15.5	6.4	2.7
Missouri	(3.1)	(32.2)	(1.0)	ND
Nebraska	0.5	63.3	18.7*	11.3*
North Dakota	(2.7)	3.9	8.3	7.7
South Dakota	NA	NA	4.5	4.8
Southeast	(2.0)	2.3	3.3	2.0
Alabama	6.1	(19.6)*	5.3	6.3
Arkansas	1.1	37.4	(0.2)	1.8
Florida	NA	6.6	2.3	4.7
Georgia	(9.1)	6.6	6.2	(1.5)
Kentucky	10.2	NM	(2.2)	4.6
Louisiana	18.4*	NM	1.5¶	2.9
Mississippi	17.8	28.2	(0.4)	4.4
North Carolina	(3.4)	0.5*	(3.2)*	2.3*
South Carolina ¹	(21.0)	(17.9)*	4.4	(7.7)*
Tennessee	NA	8.2	16.5*	11.3*
Virginia	(5.3)	(39.0)	2.4	(2.0)
West Virginia	(0.3)	122.6	(2.1)	3.5
Southwest	(12.2)	(25.2)	(2.2)	(1.1)
Arizona	(1.1)	83.3	2.6	7.0*
New Mexico	(29.2)	(42.1)	8.6	(5.0)
Oklahoma	(11.6)*	(71.6)	(3.8)	(6.2)*
Texas	NA	NA	(3.9)	(1.4)
Rocky Mountain	(5.8)	(30.3)	(1.2)	(2.6)
Colorado	(10.9)	(5.6)	(2.2)	(7.5)
Idaho	0.2	(75.9)	4.0	4.8
Montana	0.8	(50.3)	NA	0.1
Utah	1.3	(6.6)	(0.3)	1.1
Wyoming	NA	NA	(12.3)	(8.7)
Far West	(6.3)	17.5	3.3	0.2
Alaska	NA	NM	NA	4.6
California	(6.4)*	23.5*	2.3	0.0*
Hawaii	(4.7)	NM	15.0	1.3
Nevada	NA	NA	6.4	5.5
Oregon	(6.0)	3.6	NA	(7.5)*
Washington	NA	NA	3.1	2.9

See p. 5 for notes

Figure 3
Percent Change in Tax Revenue by Region,
Adjusted for Legislated Changes
January-March 2002 to 2003

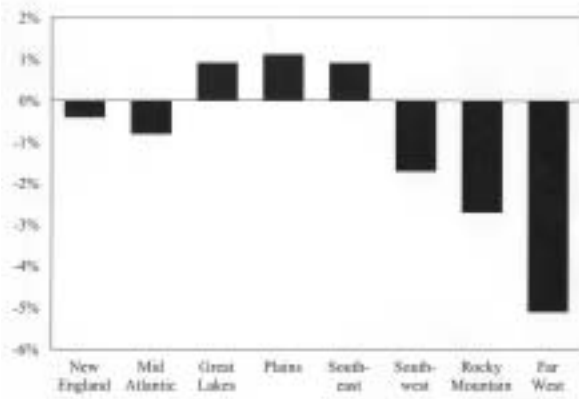


Figure 4
Change in Quarterly Tax Revenue by State, Adjusted for
Legislated Changes, January-March 2002 to 2003

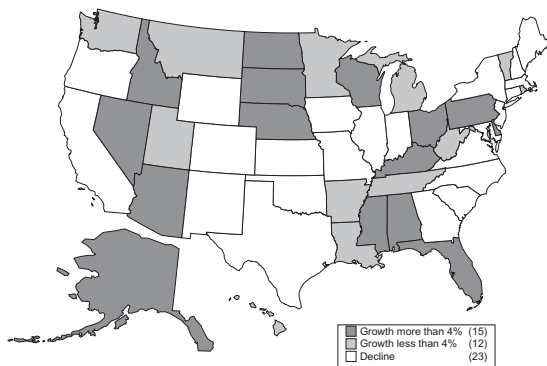


Figure 5
Change in Quarterly Tax Revenue by Tax,
Last Four Quarters

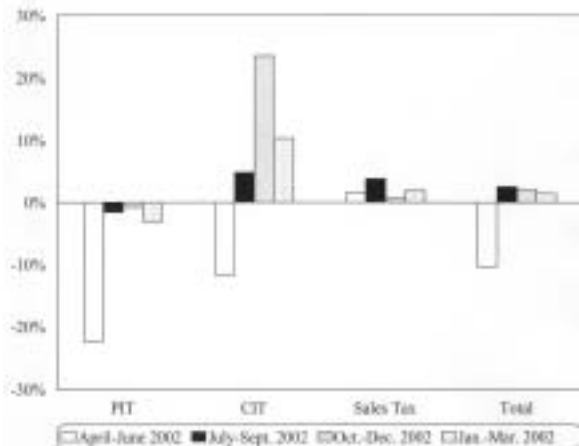


Table 2 shows the last 29 quarters of change in state collections for the major taxes. Personal income tax collections have declined for seven straight quarters, and the rate of decline was on the rise again in January-March. Corporate income tax collections, in contrast, had another solid gain, though not quite as strong as the previous quarter. Sales tax revenue continues to grow, but only weakly.

The Rocky Mountain states had the largest decline in revenue in the January-March quarter, with a 2.6 percent decline. (See Table 3.) The only other region with a decline was the Southwest. The Great Lakes states had the strongest increases at 4.2 percent, while the Plains states and the Southeast also enjoyed revenue growth above the national average. After adjusting for enacted tax changes and — in some cases — processing variations, the Far West had the largest decline. (See Figures 3 and 4.) Adjusted revenue for New England and the Mid-Atlantic states also declined, whereas in the Great Lakes, Plains, and Southeast regions the adjustments dampened revenue growth. Figure 5 shows the change in the major taxes over the last four quarters.

Table 4 shows the overall effect of enacted tax changes and processing variations. In all, states enacted net tax hikes of \$2.6 billion in the January-March 2003 quarter.

Personal Income Tax

Personal income tax revenue declined 3.1 percent in the January-March quarter. This is the seventh straight quarter of decline. The national rate of decline is now accelerating after moderating for the previous two quarters. The largest decline was in the Southwest with a 12.2 percent decline. Only the Great Lakes region managed an increase, just 2.3 percent. Of the 41 states with a broad-based income tax, 28 had declines. New Mexico had the steepest decline (29.2 percent), while Louisiana had the largest increase (18.4 percent).

We can get a better idea of what is really happening with the personal income tax by breaking it down into its component parts: withholding, quarterly estimated payments, and final settlements. While this report generally covers the Janu-

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

	<i>PIT</i>	<i>Sales</i>	<i>Total</i>
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
April-June	18.6	7.8	11.8
July-Sept.	11.6	5.6	7.7
Oct.-Dec.	6.5	5.0	5.0
2001			
Jan.-Mar.	10.1	3.7	6.3
April-June	7.9	0.6	4.2
July-Sept.	(2.8)	0.4	(2.4)
Oct.-Dec.	(2.1)	1.2	(2.3)
2002			
Jan.-Mar.	(14.5)	(2.4)	(8.4)
April-June	(22.5)	0.1	(11.9)
July-Sept.	(2.1)	2.7	0.7
Oct.-Dec.	(1.6)	0.7	0.3
2003			
Jan.-Mar.	(4.4)	0.9	(0.9)

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 15.)
For pre-1996 data, call the Fiscal Studies Program.

ary-March period, we have collected estimated payments data and some final settlements information for April, which offers a glimpse at how states fared in that key month for personal income tax revenue.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and because it is much less volatile than estimated/declared pay-

ments or final settlements. In Table 5 we see that withholding for the January-March 2003 quarter increased by two percent over the same quarter the year before. While this increase is quite modest, it is the best quarter for withholding since April-June 2001. (See Table 6.) Enacted changes in withholding boosted collections by about 0.5 percent in this quarter.

Estimated Payments

The highest-income taxpayers generally pay most estimated tax payments (also known as declarations) on their non-wage income. This income often comes from investments, especially capital gains realized in the stock market. The decline in the stock market since early 2000 has dried up capital gains, which in turn has reduced the stream of estimated payments. Although lately the stock market has been showing some signs of rallying, this has not been translated into stronger capital gains as yet.

The mean decline in estimated tax payments for the 2002 tax year was 15.5 percent compared to the year before. (See Table 7.) This decline moderated a bit with the last payment, when taxpayers try to align their payments with their actual income. The fourth quarter payment — usually paid in December or January — was down by 11.2 percent.

The first quarterly payment for 2003 was made in April and the trend is still down. For the 29 states for which we have data, the payment de-

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.
- 1 March data not available.
NA means not applicable.
NM means not meaningful.
ND means no data.
Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1996. For data through 1991 call the Fiscal Studies Program.

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

	2002			2003
	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.
United States	(0.6)%	0.9%	0.2%	2.0%
New England	(4.8)	(0.5)	(3.4)	1.5
Connecticut	(3.0)	1.8	(1.9)	1.2
Maine	(0.4)	9.7	4.1	5.5
Massachusetts	(6.7)¶	(3.2)	(5.8)	0.5
Rhode Island	1.9¶	4.9	3.7	8.4¶
Vermont	(0.9)	5.3	2.8	1.7
Mid-Atlantic	(0.3)	1.9	(0.6)	(0.1)
Delaware	5.4	(1.0)	(4.6)	3.1
Maryland	0.4¶	4.5	(1.1)	6.1
New Jersey	2.9	1.0	1.9	3.3
New York	(1.4)	1.0	(1.2)	(3.5)
Pennsylvania	(1.2)	3.2	0.1	3.0
Great Lakes	0.1	2.5	(1.4)	4.0
Illinois	(2.6)	0.8	(0.7)	(0.7)
Indiana	4.0	1.2	2.1	(7.9)
Michigan	(3.3)¶	(0.3)¶	(2.4)¶	2.1¶
Ohio	2.8	4.3*	2.8*	2.4
Wisconsin	1.4	10.5	(9.2)	18.0
Plains	2.4	2.6	2.2	1.8
Iowa	3.5	5.0	6.7	2.6
Kansas	2.2	0.9	2.7	ND
Minnesota	2.3	1.8	1.6	0.8
Missouri	1.0	2.9	0.7	1.4
Nebraska	5.6	3.2	1.7	6.3
North Dakota	(1.2)	1.2	0.6	2.1
Southeast	2.2	1.1	3.3	2.0
Alabama	4.0	(2.9)	8.9	8.7
Arkansas	2.8	1.8	6.3	4.2
Georgia	1.5	(1.9)	2.3	1.5
Kentucky	0.8	0.0	4.0	3.2
Louisiana	(0.6)	4.9	0.6	23.2*
Mississippi	1.1	(0.8)	1.8	4.8
North Carolina	2.0	2.1	3.0*	(3.5)
South Carolina	3.7	1.1	3.8	2.4
Virginia	2.6	2.8	3.0	0.8
West Virginia	(1.4)	13.4	(0.6)	6.3
Southwest	2.1	0.5	1.1	8.6
Arizona	(5.4)	(3.3)	(2.8)	2.6
New Mexico	12.9	1.3	7.5	11.5
Oklahoma	6.9¶	4.3	3.4	14.6*
Rocky Mountain	(0.7)	(0.6)	(0.9)	1.3
Colorado	(1.0)	0.2	(0.8)	0.0
Idaho	(7.5)¶	(1.2)	1.0	1.9
Montana	(1.0)	7.1	1.0	7.6
Utah	3.4	(3.9)	(2.5)	2.0
Far West	(4.6)	(2.1)	0.2	2.5
California	(5.3)	(2.5)	0.2*	2.6*
Hawaii	3.1¶	(2.9)¶	2.1¶	6.5
Oregon	(2.2)	0.6	(0.6)	0.7

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.
See page 5 for Notes.

clined by an average of 14 percent. In most states, taxpayers have to pay only as much as they owed the year before in order to avoid penalties. This will likely depress estimated payments for the entire year, since non-wage income in 2002 was so low. Even if the stock market continues to post gains, states may not see any benefit until next April.

Final Settlements

Final settlements are the payments that taxpayers make, or the refunds that they receive, when they file their annual tax returns. In most states, the filing deadline is April 15th, but some states have later deadlines and do not finish final settlements until May. An informal survey of several states suggests that final payments for 2002 were weak. Thirteen of 21 states reported that April final payments were down from the year before. This is quite startling considering that April 2002 collections were dramatically lower than the previous year. In many states, collections are running behind estimates used to prepare their budgets.

Through the late 1990s and into 2000 and 2001, many states experienced a welcome “April Surprise” as they collected substantially more from final settlements than they had expected. In 2002, however, the “April Surprise” was largely negative as states collected much less than they had projected. This year it appears that states are in for a much smaller surprise, but still a negative one. This is likely to throw fiscal year 2003 budgets further out of balance and will certainly make balancing fiscal year 2004 budgets more challenging.

General Sales Tax

Sales tax revenue in the January-March 2003 quarter increased by 1.9 percent, an improvement compared to the previous quarter’s growth of 0.7 percent, but nevertheless a continuation of sluggish sales tax revenue growth, which has persisted for over two years.

Sales tax revenue grew the fastest in the Plains states, increasing by 4.5 percent compared to the year before. The region with the largest de-

2001	
Jan.-Mar.	6.8
April-June	3.3
July-Sept.	(1.1)
Oct.-Dec.	0.1
2002	
Jan.-Mar.	(4.9)
April-June	(0.6)
July-Sept.	0.9
Oct.-Dec.	0.2
2003	
Jan.-Mar.	2.0

cline was the Southwest, where sales tax revenue fell by 2.2 percent. Four states — Indiana, Nebraska, Tennessee, and Hawaii — had double-digit increases in sales tax revenue. In Indiana, Nebraska, and Tennessee significant enacted tax hikes contributed to the overall increase. Wyoming was the only state with a double-digit sales tax decline (12.3 percent).

Corporate Income Tax

Corporate income tax revenue grew by 10.3 percent in the January-March quarter, the third straight quarter of increases after seven quarters of decline. All of this quarter's increase resulted from enacted tax changes.

Underlying Reasons for Trends

These revenue changes result from three kinds of underlying forces: differences in state economies, how these differences affect each state's tax system, and recently legislated tax changes.

State Economies

The national economy continues to show mixed signals, neither moving decisively into re-

<i>State</i>	<i>April-Jan. (All 4 payments for 2002)</i>	<i>Dec.-Jan. (Fourth 2002 payment only)</i>	<i>April 2003 (First 2003 payment)</i>
Average (Mean)	(15.5)%	(11.2)%	(14.0)%
Median	(13.4)	(8.1)	(5.8)
Alabama	(6.5)	(4.1)	(1.0)
Arizona	(30.6)	ND	ND
Arkansas	(13.0)	(5.1)	14.8
California	(18.2)	(14.7)	(9.1)
Colorado	(17.2)	(11.5)	13.1
Connecticut	(17.1)	(17.6)	(9.8)
Delaware	(9.7)	(5.5)	ND
Georgia	(14.2)	(10.6)	78.7
Hawaii	(16.3)	(14.2)	(54.1)
Illinois	(14.6)	(4.7)	(6.3)
Indiana	(10.5)	(16.5)	(2.9)
Iowa	(13.7)	(5.4)	11.6
Kansas	(16.5)	(11.7)	ND
Kentucky	6.5	52.5	22.0
Louisiana	(13.5)	(10.6)	ND
Maine	(9.8)	(4.0)	(7.3)
Maryland	(15.9)	(8.2)	(57.6)
Massachusetts	(14.8)	(3.5)	8.2
Michigan	(15.4)	(8.3)	(1.4)
Minnesota	(8.2)	14.4	ND
Mississippi	(9.8)	(15.1)	ND
Missouri	(15.3)	(15.3)	(5.8)
Montana	(5.0)	(5.0)	36.4
Nebraska	(13.4)	(14.6)	(18.6)
New Jersey	(11.1)	(7.4)	ND
New Mexico	(13.4)	(3.8)	ND
New York	(23.6)	(22.6)	(14.2)
North Carolina	(11.4)	(3.6)	(9.8)
North Dakota	(11.8)	(7.9)	ND
Ohio	(2.8)	2.8	(62.1)
Oklahoma	(16.5)	(15.0)	(20.3)
Oregon	(16.2)	(14.8)	10.9
Pennsylvania	(14.9)	(17.4)	(2.7)
Rhode Island	(6.4)	(3.1)	(6.8)
South Carolina	(16.7)	(12.8)	48.1
Vermont	(1.0)	45.7	(16.4)
Virginia	(4.0)	(1.5)	4.2
West Virginia	(8.9)	(10.9)	(8.9)
Wisconsin	(6.3)	(2.8)	ND

See p. 5 for notes.

covery and strong growth, nor lapsing back into recession. The Bureau of Economic Analysis' (BEA's) preliminary estimate for the Gross Domestic Product (GDP) showed growth of 1.9 percent for the first quarter of 2003.¹ The unemployment rate has crept up over the last few months, reaching 6.1 percent in May.²

One problem with assessing state economies in a report such as this is a general lack of timely state indicators. Data on non-farm employment, tracked by the Bureau of Labor Statistics (BLS), is the only broad-based, timely, high-quality state-level economic indicator available. Yet these data are far from ideal indicators of revenue growth. For one thing, most taxes are based upon nominal measures such as income, wages, and profits, rather than employment. Unfortunately, state-level data on these nominal measures — when they are available at all — usually are reported too late to be of much use in analyzing recent revenue collections. In addition, employment data can be subject to large retroactive revisions. In times of growth, these revisions are usually upwards, but recently significant downward revisions have occurred as the indicators have lagged the recent economic downturn.

The employment numbers are much less encouraging indicators of national and state economic activity than the GDP data or even the unemployment rate. Table 8 shows year-over-year employment growth for the nation and for each state during the last four quarters using BLS data. Figure 6 maps the change in first quarter 2003 employment compared to the same period in 2002. Overall, employment in the January-March 2003 quarter declined by 0.1 percent compared to the year before. This is the sixth straight quarter of decline in the national employment numbers, but the rate of decline is slowing. The state-by-state employment numbers are noticeably weaker; it is likely that an adjustment will eventually be made to reconcile the national and state-by-state figures.

Employment declined on a year-over-year basis in every region of the country. The largest decline was 1.7 percent in the Great Lakes states. The Southwest had a decline of only 0.1 percent. Employment declined in 37 states, up from 33 in the previous quarter. Twenty-two states had declines of over one percent. The largest decline — 2.6 percent — was in Michigan. On the other hand, six states had increases of over one percent. Of these, Hawaii led the way with a three percent increase.

Nature of the Tax System

Even if the recession and recovery affected all regions and states to exactly the same degree and at exactly the same time, the impact on state revenue would still vary because states' tax systems react differently to similar economic situations. States that rely heavily on the personal income tax have taken a harder hit from this economic downturn, since it has reduced income generated at the high end of the income scale, the income that is taxed most heavily. This is even more evident in states with more progressive income tax structures. The sales tax is also very responsive to economic conditions, but is historically less elastic than the personal income tax — dropping more slowly in bad times and increasing more slowly in good times. The states that rely heavily on corporate income taxes or severance taxes often see wild swings in revenue that are not necessarily related to general economic conditions. (Severance taxes are taxes on the removal of natural resources, such as oil and lumber.)

The upside of these patterns played out particularly strongly in the late 1990s and into 2000. Most states with personal income taxes had extremely strong revenue growth, partly because the incomes of upper-income (and thus upper-bracket) taxpayers grew at a much more rapid pace than those of middle-income taxpayers. Because these high-end incomes were based more heavily upon volatile sources such as stock options and capital gains, growth in personal income tax revenue was far more subject to dramatic fluctuations than it would have been if it were based entirely on wages and salaries. In the current weak economy, we see the downside of this volatility. While initially the market downturn affected relatively few wage earners, it turned gains into losses for investors, thus sharply contracting a hitherto rich source of revenue almost overnight. Meanwhile stock options became both less common and less lucrative. As the downturn drags on the loss of investment capital is beginning to manifest itself in weak employment numbers, which in turn depress withholding.

States are also learning about how sales tax revenue responds to an economic slowdown.

State Tax Revenue — Slowing Again

Table 8. Year-Over-Year Percentage Change In Non-Farm Employment by State, Last Four Quarters

	2002			2003
	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.
United States	(1.1)%	(0.8)%	(0.2)%	(0.1)%
Sum of States	(0.8)	(0.7)	(0.5)	(0.9)
New England	(0.8)	(0.7)	(0.9)	(1.6)
Connecticut	(0.6)	(0.4)	(0.5)	(1.1)
Maine	0.2	0.2	0.0	(0.8)
Massachusetts	(1.4)	(1.5)	(1.6)	(2.5)
New Hampshire	(0.4)	0.1	(0.6)	(1.6)
Rhode Island	0.6	0.6	0.7	(0.1)
Vermont	(1.0)	(0.2)	0.5	1.9
Mid Atlantic	(1.0)	(0.9)	(0.6)	(0.8)
Delaware	(1.0)	(0.6)	(1.6)	(2.0)
Maryland	(0.8)	(1.1)	0.0	0.7
New Jersey	(0.6)	(0.4)	(0.5)	(0.6)
New York	(1.1)	(0.9)	(0.9)	(1.6)
Pennsylvania	(1.1)	(1.0)	(0.5)	(0.4)
Great Lakes	(1.0)	(0.9)	(0.9)	(1.7)
Illinois	(1.5)	(1.3)	(1.0)	(1.1)
Indiana	(1.6)	(1.2)	(0.7)	(1.2)
Michigan	(0.8)	(0.8)	(1.2)	(2.6)
Ohio	(0.9)	(0.9)	(1.1)	(2.2)
Wisconsin	0.0	0.4	(0.0)	(1.1)
Plains	(0.8)	(0.8)	(0.7)	(1.2)
Iowa	(0.7)	(0.3)	(0.5)	(1.2)
Kansas	0.7	0.3	(0.4)	(1.8)
Minnesota	(0.8)	(0.8)	(0.3)	(0.6)
Missouri	(2.1)	(1.8)	(1.5)	(1.9)
Nebraska	0.1	(0.6)	0.0	(0.8)
North Dakota	(0.2)	(0.1)	0.0	(0.3)
South Dakota	0.1	(0.4)	(0.1)	0.0
Southeast	(0.6)	(0.4)	(0.3)	(0.5)
Alabama	(1.0)	(1.0)	(0.9)	(1.1)
Arkansas	(0.6)	(0.4)	0.0	(0.3)
Florida	(0.1)	0.3	0.7	1.0
Georgia	(2.3)	(2.2)	(1.1)	0.6
Kentucky	0.6	1.0	0.1	(2.0)
Louisiana	(0.3)	(0.4)	(0.8)	(1.7)
Mississippi	(0.3)	(0.3)	0.0	(0.4)
North Carolina	(0.5)	(0.2)	(0.6)	(1.3)
South Carolina	(0.4)	(0.3)	(0.3)	(1.6)
Tennessee	(0.2)	(0.2)	(0.8)	(1.9)
Virginia	(1.0)	(0.8)	(0.3)	(0.4)
West Virginia	(0.8)	(1.1)	(0.8)	(0.1)
Southwest	(0.8)	(0.6)	(0.2)	(0.1)
Arizona	(1.1)	(1.0)	0.2	1.2
New Mexico	0.6	0.5	1.1	1.8
Oklahoma	0.7	0.6	(0.5)	(2.5)
Texas	(1.0)	(0.8)	(0.4)	(0.2)
Rocky Mountain	(1.3)	(1.5)	(1.0)	(0.8)
Colorado	(2.0)	(2.2)	(1.6)	(1.3)
Idaho	(0.4)	(1.2)	(0.8)	(0.6)
Montana	0.6	1.0	1.8	0.2
Utah	(1.4)	(1.7)	(1.0)	(0.6)
Wyoming	1.2	0.3	0.5	0.0
Far West	(0.6)	(0.5)	(0.3)	(0.8)
Alaska	0.8	0.8	1.9	2.1
California	(0.3)	(0.4)	(0.5)	(1.2)
Hawaii	(1.0)	(1.2)	1.6	3.0
Nevada	1.1	1.3	2.0	0.0
Oregon	(1.4)	(0.6)	(0.2)	(0.6)
Washington	(2.2)	(1.9)	(0.8)	0.2

States that have removed more stable elements of consumption, such as groceries and clothing, from their bases, as well as those that do not capture spending on services well, are more subject to plunges in sales tax revenue as state residents become nervous about spending on optional and big-ticket items. Thus far, however, the sales tax is reacting to the latest economic downturn more moderately than the personal income or corporate income taxes — even increasing slightly in five of the last seven quarters.

Oil has been the wild card in state tax revenue in recent years. When the price of oil increases, oil-producing states such as Alaska, Oklahoma, and Wyoming benefit. Conversely, when the price falls, these states' revenue tends to follow suit. This dynamic can operate largely independently of the general economy.

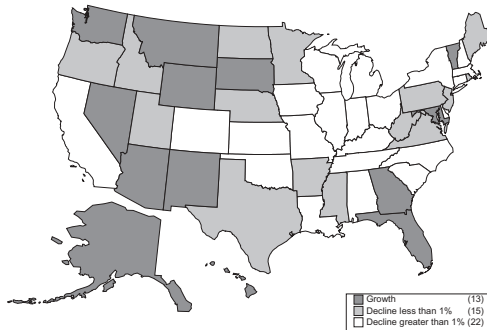
Tax Law Changes Affecting This Quarter

The final element affecting trends in tax revenue growth is changes that have been enacted into state tax law. When states boost or depress their revenue growth with tax increases or cuts, it can be difficult to draw any conclusions about their current fiscal condition. That is why this report attempts to note where such changes have significantly affected each state's revenue growth. We also occasionally note when changes in the manner of processing receipts have had a major impact on revenue growth, even though these are not due to enacted legislation, as it helps the reader to know that the number is not necessarily indicative of underlying trends.

During the January-March 2003 quarter, enacted tax changes and processing variations increased state revenue by an estimated \$2.6 billion compared to the same period in 2002. This was the fifth quarter in a row of net enacted tax hikes, after nearly seven years of tax cuts.

Net enacted tax changes increased personal income tax collections by nearly \$600 million. Increases in California accounted for almost all of the net increase. Another \$600

Figure 6
Change in Non-Farm Employment
January-March 2002 to 2003



million or so was accounted for by net enacted corporate tax increases. California and New Jersey both enacted large corporate tax increases.

Rate and base changes in several states contributed to a net \$400 million enacted increase in sales tax revenue. The states with the largest increases were Indiana (\$200 million) and Tennessee (\$170 million). Enacted tobacco tax increases pushed state tax revenue up by almost \$800 million in the January-March quarter. The largest enacted increase in tobacco taxes was a \$150 million increase in Pennsylvania.

Conclusions

While the last three quarters have seen an increase in state tax revenue, the increase has been slight and largely the result of tax increases. State revenue is failing to keep pace with inflation and population growth. The drag on state revenue still seems to be coming from the decline in collections from high-income taxpayers, reflected in the large declines in estimated payments of personal income taxes. Preliminary information indicates that final settlements collected in April or later will do little to help states struggling to close budget gaps in their current fiscal year 2003 budgets, and cope with projected gaps in their fiscal year 2004 budgets. It is likely that it will be some time before most states are able to stem the tide of red ink and get their budgets into the black.

Endnotes

- 1 United States Department of Commerce, Bureau of Economic Analysis News Release, May 29, 2003.
- 2 United States Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics From the Current Population Survey*, www.bls.gov.

State Tax Revenue — Slowing Again

**Table 9
Percent Change in Tax Revenue by State, July-March, FY 2002 to FY 2003**

	<i>PIT</i>	<i>CIT</i>	<i>Sales</i>	<i>Total</i>
United States	(1.8)%	11.7%	2.1%	1.9%
New England	(5.0)	53.3	1.4	2.0
Connecticut	(7.2)	327.5	1.5	4.3
Maine	2.3	13.0	2.4	3.2
Massachusetts	(5.5)	28.0	0.3	0.1
New Hampshire	NA	9.4	NA	3.0
Rhode Island	(0.3)	1,262.5	5.2	6.3
Vermont	(2.2)	10.1	1.7	2.1
Mid Atlantic	(3.0)	16.5	2.5	1.7
Delaware	(1.6)	(17.2)	NA	(2.4)
Maryland	(1.4)	21.1	0.9	0.4
New Jersey	(1.1)	84.8	0.0	6.5
New York	(4.6)	1.3	3.9	(1.6)
Pennsylvania	(0.4)	2.9	3.2	5.6
Great Lakes	(1.0)	(1.6)	1.2	2.6
Illinois	(1.5)	(5.8)	(0.9)	(2.0)
Indiana	3.8	(18.9)	7.3	10.9
Michigan	(1.9)	(4.0)	(0.1)	1.3
Ohio	(4.4)	(31.9)	1.5	5.5
Wisconsin	2.6	2.3	0.9	2.1
Plains	(0.2)	1.3	2.9	4.5
Iowa	2.0	8.9	0.6	1.5
Kansas	(3.2)	24.9	4.3	3.3
Minnesota	0.1	6.3	1.7	5.5
Missouri	(0.9)	(15.9)	1.1	ND
Nebraska	0.8	2.2	12.0	6.6
North Dakota	(1.6)	15.5	7.5	7.4
South Dakota	NA	NA	3.1	5.1
Southeast	0.4	4.8	3.1	2.5
Alabama	3.4	49.1	2.5	7.7
Arkansas	2.8	33.6	1.1	3.1
Florida	NA	1.9	2.9	3.3
Georgia	(4.4)	(7.7)	(1.3)	(3.0)
Kentucky	3.5	52.9	3.1	5.3
Louisiana	5.8	(59.7)	(4.9)	(5.1)
Mississippi	5.3	10.4	0.8	2.7
North Carolina	(0.3)	4.7	8.9	2.7
South Carolina	(1.8)	(11.8)	4.9	0.9
Tennessee	NA	17.3	14.8	11.7
Virginia	1.4	14.0	(6.3)	1.2
West Virginia	2.2	(10.6)	0.9	1.8
Southwest	(5.5)	(23.1)	(2.1)	(0.7)
Arizona	(2.8)	4.7	1.9	1.3
New Mexico	(11.6)	(39.6)	6.2	(2.9)
Oklahoma	(5.4)	(57.0)	(4.9)	(5.0)
Texas	NA	NA	(3.2)	(0.2)
Rocky Mountain	(3.0)	(6.2)	(0.8)	(1.9)
Colorado	(4.9)	(16.9)	(3.2)	(4.9)
Idaho	(0.3)	8.4	5.0	2.8
Montana	1.2	(30.7)	NA	(0.4)
Utah	(1.8)	20.4	0.2	0.2
Wyoming	NA	NA	(5.8)	(5.6)
Far West	(3.4)	26.7	4.8	2.2
Alaska	NA	(17.5)	NA	(0.7)
California	(4.9)	29.2	5.0	1.6
Hawaii	(3.0)	NM	10.5	3.4
Nevada	NA	NA	5.5	5.4
Oregon	9.8	6.8	NA	8.7
Washington	NA	NA	2.2	2.6

See p. 5 for notes.

Table 10
State Tax Revenue, January to March 2002 and 2003 (In Millions of Dollars)

	2002				2003			
	<i>Personal Income</i>	<i>Corporate Income</i>	<i>Sales</i>	<i>Total</i>	<i>Personal Income</i>	<i>Corporate Income</i>	<i>Sales</i>	<i>Total</i>
United States	\$43,980	\$5,507	\$42,929	\$109,081	\$42,614	\$6,076	\$43,737	\$110,640
New England	3,261	395	2,101	7,166	3,100	509	2,077	7,245
Connecticut	865	76	759	2,056	795	113	747	2,080
Maine	193	9	187	485	191	14	192	490
Massachusetts	1,950	255	918	3,654	1,884	298	896	3,688
New Hampshire	NA	41	NA	315	NA	46	NA	309
Rhode Island	172	14	178	463	159	29	184	476
Vermont	82	0	59	193	72	9	59	202
Mid Atlantic	11,749	1,231	5,972	23,046	11,409	1,433	5,968	23,302
Delaware	164	(9)	NA	404	166	19	NA	429
Maryland	1,218	118	657	2,088	1,184	86	655	2,039
New Jersey	1,815	160	1,479	4,246	1,709	263	1,430	4,271
New York	6,710	671	2,072	10,715	6,526	751	2,074	10,590
Pennsylvania	1,842	291	1,764	5,592	1,825	315	1,809	5,973
Great Lakes	6,702	1,296	6,404	17,048	6,858	1,350	6,632	17,767
Illinois	2,106	246	1,452	4,569	2,025	257	1,411	4,416
Indiana	794	44	933	1,978	833	50	1,112	2,311
Michigan	1,241	419	1,708	4,589	1,207	348	1,783	4,692
Ohio	1,579	424	1,431	3,775	1,664	501	1,457	4,045
Wisconsin	982	163	879	2,137	1,130	194	869	2,302
Plains	4,024	327	2,844	6,067	3,896	368	2,973	6,247
Iowa	627	41	409	1,193	612	43	408	1,179
Kansas	378	1	423	887	343	17	441	914
Minnesota	1,579	173	975	3,080	1,537	200	1,037	3,164
Missouri	1,137	66	614	ND	1,102	45	607	ND
Nebraska	239	26	233	534	241	42	277	594
North Dakota	64	21	81	216	62	22	88	233
South Dakota	NA	NA	110	158	NA	NA	115	165
Southeast	7,334	926	10,947	23,248	7,185	947	11,310	23,719
Alabama	596	75	421	1,472	632	60	443	1,565
Arkansas	459	37	430	1,000	464	50	429	1,018
Florida	NA	224	3,644	4,713	NA	239	3,728	4,933
Georgia	1,535	128	1,184	3,110	1,394	136	1,257	3,063
Kentucky	556	(14)	666	1,525	613	(4)	652	1,595
Louisiana	380	22	608	1,338	449	(9)	617	1,376
Mississippi	152	82	589	1,144	180	105	587	1,194
North Carolina	1,534	157	954	3,013	1,481	158	924	2,945
South Carolina ¹	326	50	484	1,055	257	41	505	974
Tennessee	NA	136	1,164	1,804	NA	147	1,355	2,009
Virginia	1,559	27	552	2,389	1,476	16	565	2,340
West Virginia	239	3	253	684	238	7	247	707
Southwest	1,064	127	5,803	10,373	934	95	5,675	10,262
Arizona	366	31	863	1,340	362	57	885	1,433
New Mexico	257	36	326	741	182	21	354	703
Oklahoma	441	60	358	1,031	390	17	344	967
Texas	NA	NA	4,256	7,261	NA	NA	4,091	7,158
Rocky Mountain	1,307	85	1,100	3,006	1,231	59	1,087	2,928
Colorado	747	23	468	1,278	666	22	457	1,182
Idaho	180	19	186	513	181	5	194	537
Montana	118	17	NA	271	119	8	NA	271
Utah	261	26	367	767	265	24	366	775
Wyoming	NA	NA	79	178	NA	NA	70	162
Far West	8,538	1,119	7,757	19,127	8,001	1,315	8,016	19,171
Alaska	NA	10	NA	165	NA	(1)	NA	172
California	7,381	1,063	5,443	14,450	6,909	1,313	5,567	14,454
Hawaii	266	19	396	762	254	(25)	455	772
Nevada	NA	NA	494	584	NA	NA	526	617
Oregon	891	28	NA	975	838	29	NA	902
Washington	NA	NA	1,424	2,191	NA	NA	1,468	2,254

State Tax Revenue — Slowing Again

Table 11
State Tax Revenue, July to March, FY 2002 and 2003 (In Millions of Dollars)

	<i>FY 2002</i>				<i>FY 2003</i>			
	<i>PIT</i>	<i>CIT</i>	<i>Sales</i>	<i>Total</i>	<i>PIT</i>	<i>CIT</i>	<i>Sales</i>	<i>Total</i>
United States	131,349	15,206	128,107	319,846	128,979	16,979	130,824	326,037
New England	9,939	638	6,039	20,231	9,440	978	6,121	20,638
Connecticut	2,416	54	1,997	5,332	2,241	230	2,027	5,563
Maine	670	47	558	1,510	686	53	571	1,559
Massachusetts	5,999	416	2,765	10,625	5,667	532	2,772	10,631
New Hampshire	NA	103	NA	854	NA	113	NA	880
Rhode Island	569	2	552	1,307	568	33	581	1,390
Vermont	285	16	167	603	279	18	170	616
Mid Atlantic	30,580	3,637	17,270	61,137	29,656	4,238	17,703	62,151
Delaware	526	44	NA	1,203	518	36	NA	1,174
Maryland	2,999	216	1,746	5,398	2,958	262	1,762	5,420
New Jersey	4,404	603	3,882	10,730	4,357	1,115	3,881	11,426
New York	17,693	1,872	6,203	29,580	16,882	1,896	6,447	29,111
Pennsylvania	4,959	902	5,439	14,226	4,941	928	5,612	15,020
Great Lakes	20,960	3,209	20,136	51,724	21,177	3,158	20,386	53,054
Illinois	5,710	690	4,584	13,166	5,622	650	4,545	12,898
Indiana	2,425	399	2,829	6,168	2,517	323	3,036	6,839
Michigan	4,649	1,385	5,827	15,137	4,560	1,329	5,822	15,339
Ohio	4,907	350	4,467	10,716	5,126	461	4,532	11,306
Wisconsin	3,269	386	2,430	6,538	3,353	395	2,451	6,672
Plains	11,190	1,005	8,683	17,510	11,167	1,017	8,932	18,306
Iowa	1,693	146	1,272	3,352	1,727	159	1,281	3,403
Kansas	1,246	33	1,287	2,760	1,206	42	1,342	2,851
Minnesota	4,217	431	2,987	8,612	4,223	458	3,039	9,086
Missouri	3,061	278	1,845	ND	3,035	233	1,865	ND
Nebraska	819	71	688	1,689	826	73	771	1,800
North Dakota	154	46	256	610	151	53	276	655
South Dakota	NA	NA	348	487	NA	NA	358	512
Southeast	23,912	2,875	32,026	70,285	24,005	3,012	33,034	72,021
Alabama	1,671	145	1,287	4,157	1,728	216	1,319	4,475
Arkansas	1,239	107	1,292	2,824	1,274	143	1,306	2,912
Florida	NA	704	10,432	13,509	NA	717	10,734	13,958
Georgia	4,767	324	3,499	9,390	4,556	300	3,452	9,105
Kentucky	1,899	107	2,038	4,873	1,966	163	2,101	5,131
Louisiana	1,188	177	1,819	4,274	1,257	72	1,730	4,057
Mississippi	689	163	1,753	3,555	726	180	1,768	3,650
North Carolina	5,191	592	2,703	9,349	5,177	620	2,942	9,605
South Carolina ¹	1,752	101	1,282	3,597	1,722	89	1,345	3,629
Tennessee	NA	256	3,475	5,283	NA	301	3,991	5,901
Virginia	4,806	142	1,706	7,444	4,873	162	1,599	7,530
West Virginia	711	57	740	2,032	727	51	747	2,068
Southwest	3,808	413	17,826	31,041	3,599	318	17,456	30,832
Arizona	1,600	200	2,537	4,576	1,556	209	2,586	4,636
New Mexico	720	97	984	2,189	636	58	1,044	2,126
Oklahoma	1,488	117	1,111	3,256	1,408	50	1,056	3,094
Texas	NA	NA	13,194	21,020	NA	NA	12,769	20,976
Rocky Mountain	4,462	260	3,308	9,410	4,328	244	3,282	9,232
Colorado	2,397	114	1,431	4,083	2,281	95	1,385	3,883
Idaho	590	43	592	1,557	588	47	622	1,601
Montana	353	42	NA	735	357	29	NA	732
Utah	1,123	61	1,088	2,638	1,102	74	1,090	2,642
Wyoming	NA	NA	197	397	NA	NA	185	374
Far West	26,497	3,169	22,821	58,508	25,607	4,015	23,911	59,802
Alaska	NA	36	NA	577	NA	30	NA	573
California	23,080	3,007	15,660	43,745	21,959	3,886	16,443	44,431
Hawaii	817	20	1,212	2,291	792	(14)	1,339	2,368
Nevada	NA	NA	1,538	1,813	NA	NA	1,622	1,911
Oregon	2,601	106	NA	2,833	2,856	114	NA	3,079
Washington	NA	NA	4,411	7,250	NA	NA	4,507	7,440

See p. 5 for notes.

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 latest 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 50 states, although Missouri only had data for its three major taxes, so no totals are included.

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 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 Nicholas W. Jenny, a senior policy analyst with the Program. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report, with assistance from Michele Charbonneau and Heather Trela.

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Fiscal Studies Program

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