

STATE REVENUE REPORT

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No Big Surprise, State Tax Revenue Continues Recovery

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HIGHLIGHTS

- ❖ State tax revenue in the April-June 2004 quarter grew 11.3 percent compared to the same period in 2003.
- ❖ After adjusting for tax law changes and inflation, real underlying state tax revenue increased by 5.8 percent.
- ❖ Newly implemented changes in state tax laws generated a \$2.7 billion net increase in state revenue. This is the tenth straight quarter with a net increase.
- ❖ Personal income tax revenue grew 15.6 percent, partially due to good, but not spectacular, final settlements with the April returns.
- ❖ Sales tax revenue grew 7.1 percent.
- ❖ Corporate income tax revenue grew 13.6 percent.
- ❖ Preliminary fiscal year 2004 state tax revenue is up by 7.9 percent compared to the year before, and increased 3.4 percent after adjusting for legislated changes and inflation.

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Figure 1. Year-Over-Year Change in Total Tax Collections, 1991-2004

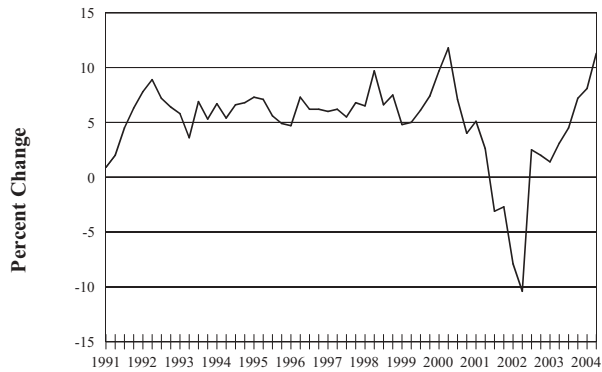


Figure 2. Year-Over-Year Change in Real Adjusted Tax Revenue, 1991-2004

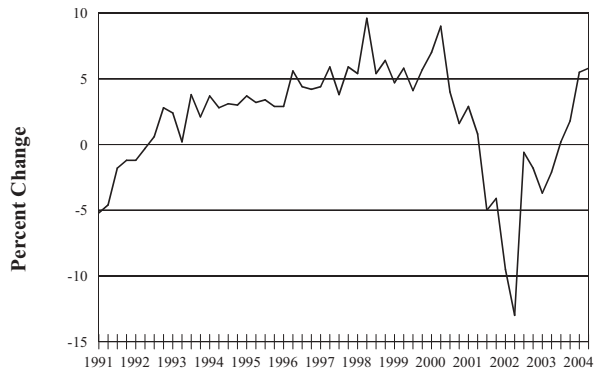


Table 1. Year-Over-Year Change in Quarterly State Tax Revenue, Adjusting for Legislated Tax Changes and Inflation

	Total Nominal Increase	Adjusted Nominal Increase	Inflation Rate	Real Increase
1997				
Jan.-Mar.	6.0	7.4	2.3	5.0
April-June	6.2	8.3	2.8	5.4
July-Sept.	5.5	6.1	2.5	3.5
Oct.-Dec.	6.8	7.9	2.7	5.1
1998				
Jan.-Mar.	6.5	7.0	1.8	5.1
April-June	9.7	11.4	1.8	9.4
July-Sept.	6.6	7.1	1.8	5.2
Oct.-Dec.	7.5	8.0	1.5	6.4
1999				
Jan.-Mar.	4.8	6.5	1.9	4.5
April-June	5.0	8.0	2.7	5.2
July-Sept.	6.1	6.7	3.2	3.4
Oct.-Dec.	7.4	8.4	3.7	4.5
2000				
Jan.-Mar.	9.7	10.4	4.4	5.7
April-June	11.4	11.8	4.3	7.2
July-Sept.	7.1	7.7	4.3	3.3
Oct.-Dec.	4.0	5.0	4.3	0.7
2001				
Jan.-Mar.	5.1	6.3	4.0	2.2
April-June	2.5	4.2	3.4	0.8
July-Sept.	(3.1)	(2.4)	2.3	(4.6)
Oct.-Dec.	(2.7)	(2.2)	1.2	(3.4)
2002				
Jan.-Mar.	(7.8)	(8.2)	0.5	(8.7)
April-June	(10.6)	(12.1)	0.8	(12.8)
July-Sept.	2.5	0.7	1.3	(0.6)
Oct.-Dec.	1.9	0.3	2.0	(1.7)
2003				
Jan.-Mar.	1.4	(1.0)	4.2	(5.0)
April-June	3.2	0.4	3.0	(2.5)
July-Sept.	4.5	2.6	2.8	(0.2)
Oct.-Dec.	7.3	4.9	2.3	2.5
2004				
Jan.-Mar.	8.1	7.0	1.5	5.4
April-June	11.3	9.2	3.2	5.8

Note: Inflation is measured by the BEA State and Local Government Implicit Price Deflator.
Please call the Fiscal Studies Program for pre-1997 data.

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

	PIT	CIT	Sales	Total
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)	9.6	1.9	1.4
April-June	(0.7)	17.8	2.9	3.2
July-Sept.	5.1	8.4	3.7	4.5
Oct.-Dec.	6.6	11.1	6.6	7.3
2004				
Jan.-Mar.	8.7	15.7	8.3	8.1
April-June	15.6	13.6	7.1	11.3

Note: Please call the Fiscal Studies Program for pre-1997 data.

Introduction

State tax revenue increased 11.3 percent in the April-June quarter of 2004 compared to the same quarter the year before. Without the contribution of net enacted tax increases, this growth would have been 9.2 percent. If we also take into account the effects of inflation, real adjusted state tax revenue grew 5.8 percent. This is the fourth straight quarter of real adjusted growth, after eight straight quarters of decline. State tax growth seems to be moving back into the range seen before the recession of 2001. (See Table 1.) All three major state taxes — personal income tax, corporate income tax, and sales tax — showed strong growth this quarter.

Final personal income tax settlements, due in April in most states, did not reach the “April Surprise” levels seen before the 2001 recession, but were solid. This quarter marked the end of the 2004 fiscal year in most states. This past year has seen the return of significant revenue growth after two years of poor revenue performance.

Tax Revenue Change

Table 1 shows tax revenue changes for the last 30 quarters before and after adjusting for legislated tax changes and inflation. Figure 1 shows the pattern of growth or decline in state tax collections from 1991 to the present. State tax revenue declined from July 2001 to June 2002; since then it has been growing, but it is only with the latest three quarters that growth has exceeded the median growth rate of 6.6 percent from 1997 through 2000. Tax increases enacted in many states over the last three years have contributed to revenue growth. However, in the April-June quarter, growth still would have been significant even without tax increases. Figure 2 shows the pattern of growth in state tax revenue adjusted for inflation and enacted tax increases from 1991 to the present. States have broken through into growth in their real adjusted revenue only in the last four quarters.

Table 2 shows the last 30 quarters of change in state collections of the major state tax sources. Personal income tax collections had been getting stronger in 2003 and this continued through the first two quarters of 2004. In April-June 2004, they finally reached the double-digit percentage growth

seen in 2000 and before. Corporate income taxes posted growth for two straight years. The sales tax continued strong steady growth.

Every region experienced revenue growth in the April-June quarter. (See Table 3.) The Mid-Atlantic region had the strongest growth at 16.5 percent, with the New England, Southwest, Rocky Mountain, and Far West regions also registering double-digit growth. The slowest growth was in the Great Lakes states at 5.3 percent.

Legislated net tax increases affected every region of the country. (See Figure 3.) Even without these tax increases, state tax collections would have grown in every region — albeit at a slower pace. Figure 4 shows state revenue growth adjusted for legislated revenue changes. Figure 5 shows the change in the major taxes over the last four quarters.

Table 4 shows the overall effect of legislated tax changes and processing variations. In all, states implemented net tax hikes generating \$2.7 billion in the April-June 2004 quarter. Table 5 shows the percentage change in each state’s total tax revenue adjusted for legislated tax changes and inflation.

Personal Income Tax

Personal income tax revenue grew 15.6 percent in the April-June quarter compared to the same quarter the year before. This was the fourth straight quarter of growth after two years of decline. The strongest growth was in the Mid-Atlantic region at 21.2 percent, aided by significant legislated personal income tax increases in New York and Pennsylvania. The weakest growth was in the Great Lakes region at “only” 8.3 percent. Growth was widespread, affecting all of the 41 states having broad-based personal income tax. Hawaii had the strongest growth with a 36.6 percent increase. The slowest growth was in Missouri at 4.6 percent. Only nine other states failed to show double-digit increases.¹

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.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it

Figure 3
Percent Change in Tax Revenue by Region,
Adjusted for Legislated Changes
April to June, 2003 to 2004

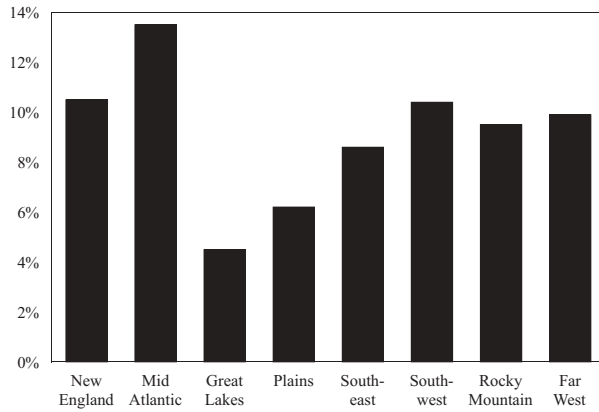


Figure 4
Change in Quarterly Tax Revenue by State, Adjusted for
Legislated Changes, April to June, 2003 to 2004

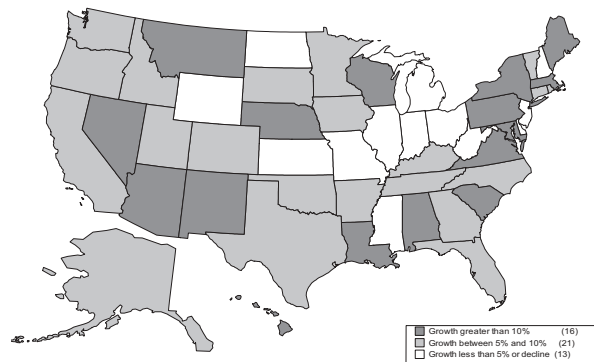
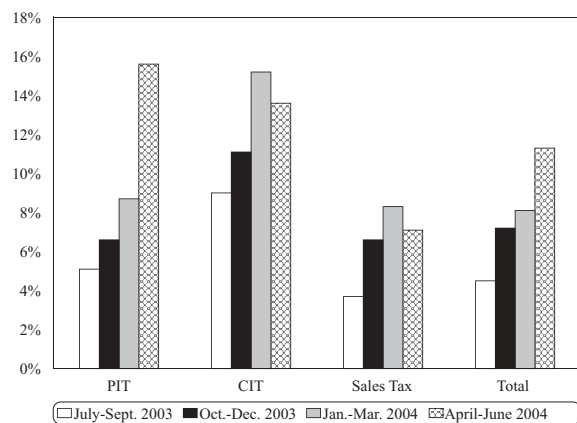


Figure 5
Change in Quarterly Tax Revenue by Tax,
Last Four Quarters



**Table 3. Change in Quarterly Tax Revenue by State,
April to June, 2003 to 2004**

	PIT	CIT	Sales	Total
United States	15.6%	13.6%	7.1%	11.3%
New England	19.4	12.0	3.1	12.0
Connecticut	20.7*	32.4*	(2.9)	10.6*
Maine	10.8	20.0*	5.7	18.9*
Massachusetts	21.4*	3.0*	4.9	12.5
New Hampshire	NA	7.7	NA	4.6
Rhode Island	13.6	(8.4)*	7.1	9.0
Vermont	5.7	61.4	29.2*	12.6*
Mid-Atlantic	21.2	11.7	11.7	16.5
Delaware	15.3	27.7*	NA	17.4*
Maryland	14.1	35.3	9.3	11.6
New Jersey ¹	12.7	(18.3)*¶	5.8¶	2.4¶
New York	28.3*	51.9	22.0*	25.1*
Pennsylvania	14.6*	36.3	3.8	14.4*
Great Lakes	8.3	(5.0)	4.3	5.3
Illinois	4.8	17.7*	3.2*	7.8*
Indiana	8.0¶	(18.5)*	5.9	3.9
Michigan	7.0¶	(14.3)	1.8	(0.7)¶
Ohio	10.9	(9.2)*	6.3*	6.8*
Wisconsin	11.9	22.8	5.2	10.2
Plains	12.8	2.5	6.0	8.3
Iowa	10.1	11.0*	3.7	6.7
Kansas	15.8	(13.7)	0.3	6.4*
Minnesota	18.6	0.6	8.5	10.2*
Missouri	4.6	(7.2)	6.3	4.3
Nebraska	25.9*	61.5	9.2*	19.7*
North Dakota	20.9	(14.1)	2.0	4.2
South Dakota	NA	NA	6.2	6.0
Southeast	11.8	6.2	7.6	8.9
Alabama	16.6	34.0	8.9	12.3
Arkansas	15.2*	2.4*	4.3	10.5*
Florida	NA	(6.9)¶	10.7	7.8
Georgia	7.4	(10.9)¶	1.9	7.3
Kentucky	5.9	4.4	5.1	5.5
Louisiana	24.2*	18.4	5.2¶	14.8
Mississippi	7.3	34.2¶	5.9	(0.8)
North Carolina	12.0	0.8	5.9*	8.8
South Carolina	11.9	2.4	9.5	10.3
Tennessee	NA	12.7	6.4	9.4
Virginia	12.9	27.1	12.7	14.0
West Virginia	5.8	26.0	4.6	3.9*
Southwest	18.1	19.1	9.6	12.0
Arizona	24.9	25.2	10.8	19.8*
New Mexico	17.8¶	9.0	16.8	16.4*
Oklahoma	12.2	6.0	6.0*	9.3*
Texas	NA	NA	9.1	10.4*
Rocky Mountain	13.3	8.9	11.1	10.7
Colorado	10.6	9.6	6.9*	9.2
Idaho	18.3	12.4	23.4	14.2
Montana	25.1*	73.3	NA	14.3*
Utah	11.8	(7.2)	9.5*	10.3
Wyoming	NA	NA	8.9	4.8*
Far West	18.5	34.0	5.3	14.8
Alaska	NA	7.7	NA	6.4
California	19.6*	34.7*	3.9	15.7*
Hawaii	36.6¶	62.8	6.3¶	16.4¶
Nevada	NA	NA	16.7	36.8*
Oregon	5.5	16.5	NA	6.5
Washington	NA	NA	6.5	8.3

See p. 5 for notes

No Big Surprise, State Tax Revenue Continues Recovery

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

	<i>PIT</i>	<i>Sales</i>	<i>Total</i>
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)	1.0	(1.0)
April-June	(2.0)	1.3	0.4
July-Sept.	3.9	1.9	2.6
Oct.-Dec.	5.3	4.2	4.9
2004			
Jan.-Mar.	7.7	6.8	7.0
April-June	12.9	6.5	9.2

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-1997 data, call the Fiscal Studies Program.

comes largely from current wages and because it is much less volatile than estimated/declared payments or final settlements. Table 6 shows that withholding for the April-June 2004 quarter increased by 5.6 percent over the same quarter the year before. Enacted changes in withholding boosted collections by about six-tenths of a percent in this quarter. This was somewhat slower growth than the two previous quarters, but is still fairly strong.

**Table 5. Percent Change in Quarterly
Total Tax Revenue by State,
Adjusted for Legislation and Inflation,
April to June 2003 to 2004**

United States	5.8%
New England	7.1
Connecticut	4.0
Maine	13.9
Massachusetts	8.7
New Hampshire	1.6
Rhode Island	4.7
Vermont	4.1
Mid-Atlantic	10.0
Delaware	0.7
Maryland	7.6
New Jersey	1.6
New York	16.1
Pennsylvania	7.8
Great Lakes	1.3
Illinois	1.5
Indiana	0.0
Michigan	0.0
Ohio	0.1
Wisconsin	6.8
Plains	2.9
Iowa	3.3
Kansas	(1.3)
Minnesota	3.7
Missouri	0.8
Nebraska	13.2
North Dakota	0.8
South Dakota	1.9
Southeast	5.2
Alabama	8.8
Arkansas	2.5
Florida	4.8
Georgia	3.8
Kentucky	2.0
Louisiana	11.1
Mississippi	(3.9)
North Carolina	4.7
South Carolina	6.8
Tennessee	6.0
Virginia	10.3
West Virginia	(0.9)
Southwest	7.0
Arizona	14.7
New Mexico	9.0
Oklahoma	4.0
Texas	5.6
Rocky Mountain	6.1
Colorado	5.8
Idaho	6.4
Montana	9.1
Utah	6.4
Wyoming	(1.3)
Far West	6.5
Alaska	2.9
California	6.4
Hawaii	14.5
Nevada	19.6
Oregon	3.2
Washington	4.6

Inflation measured by BEA State and Local Government Implicit Price Deflator.

Table 6. Change in Personal Income Tax Withholding by State, Last Four Quarters

	2003		2004	
	July-Sept	Oct.-Dec.	Jan.-Mar.	Apr.-June
United States	5.1%	6.1%	9.4%	5.6%
New England	5.5	5.1	8.0	5.1
Connecticut	13.2	10.1	14.9	2.7
Maine	4.1	4.4	6.5	9.8
Massachusetts	2.5	2.9*	4.9	5.4
Rhode Island	5.9	6.2	10.6	5.7
Vermont	5.6	8.2	7.3	5.3
Mid-Atlantic	8.0	11.8	17.8	3.9
Delaware	5.4	5.9	8.6	8.7
Maryland ¹	3.1*	23.3	27.5	(14.0)
New Jersey ¹	20.6	15.2	10.0	0.0
New York	8.0*	9.2*	19.0*	7.4*
Pennsylvania	3.0	3.2	10.1	13.6*
Great Lakes	0.2	1.5	4.4	3.9
Illinois	ND	ND	6.7	3.3
Indiana	2.6	3.8	4.5	5.9
Michigan	(4.7)	(1.7)¶	0.5¶	1.0¶
Ohio	2.4	2.0	5.0	5.2
Wisconsin	2.2	3.1	5.1	5.0
Plains	4.2	2.3	6.1	5.7
Iowa	3.5	6.2	8.4	8.0
Kansas	4.5	3.4	4.3	ND
Minnesota	3.6	1.0	4.8	6.6
Missouri	5.3	0.4	7.8	2.6
Nebraska	3.7*	4.7*	4.6*	6.5*
North Dakota	4.6	9.1	4.9	5.7
Southeast	3.7	5.4	6.8	8.4
Alabama	5.2	7.5	2.7	8.6
Arkansas	3.6	4.8	5.8	8.5
Georgia ²	3.9	2.9	12.3	16.7
Kentucky	4.1	2.2	4.6	ND
Louisiana	19.3*	18.7*	6.8*	9.1*
Mississippi	(4.8)	(6.6)	5.0	5.2
North Carolina	2.0	6.3	7.2	4.6
South Carolina	2.2	3.1	4.5	3.6
Virginia	4.6	8.1	9.1	6.7
West Virginia	(4.3)	2.9	0.5	5.8
Southwest	2.6	3.2	4.9	2.9
Arizona	(2.5)	1.0	4.8	(0.7)
New Mexico	13.8¶	6.3¶	(2.8)¶	3.2¶
Oklahoma	3.7	4.4	8.3	4.0
Rocky Mountain	3.1	2.2	4.8	5.5
Colorado	2.0	0.2	3.8	5.1
Idaho	3.5	3.1	7.9	8.0
Montana	6.6	13.8	3.3	6.1
Utah	4.1	3.0	5.8	5.1
Far West	7.7	6.4	8.5	7.1
California	8.2	6.8	8.7	7.2
Hawaii	5.7¶	5.2¶	3.9¶	6.3¶
Oregon	4.7	4.6	7.9	6.2

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.

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 stronger stock market should eventually translate into capital gains and higher estimated tax payments.

In the 36 states for which we have complete data, growth in estimated tax payments in the April-June 2004 quarter was 21.2 percent compared to the year before. (See Table 6.) For most states, the first two quarterly estimated payments for the 2004 tax year were due this quarter — in April and June. The strong growth probably indicates that many of those who receive non-wage income expect it to be higher this year than last. In addition, since final payments in April grew (see below), many investors need to pay more just to match their total tax payments from last year, as required to avoid penalties. If estimated tax payments remain strong for the remainder of the year, it also bodes well for final payments due next April.

Final Settlements

Final settlements are payments that taxpayers make or refunds they receive when filing annual tax returns. In most states, the filing deadline is April 15, but some states have later deadlines or do not finish final settlements' processing until May. An informal survey of 35 states shows

Key to Interpreting Tables

All percent change tables are based on year-over-year changes.

¹ indicates data through May only.

* 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.

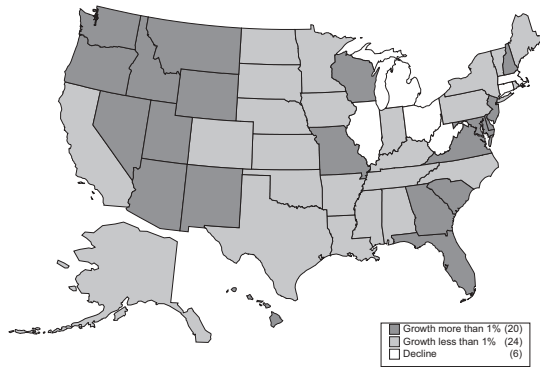
NA indicates not applicable.

ND indicates no data.

NM indicates not meaningful.

Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1997. For data through 1991 call the Fiscal Studies Program.

Figure 6
Change in Non-Farm Employment
April to June 2003 to 2004



growth in final payments for 2003 (due April 2004) for 31 states. This was encouraging, since final payments declined in the two previous years. However, refund payments were also up in 14 of the 15 states for which we have data, thus reducing the benefit of the stronger final payments. Even this moderate increase in final settlements was enough to meet or exceed most states budget estimates.

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, the “April Surprise” was an unwelcome one, as states collected much less than expected. April 2004 does not appear to be a tremendous positive “surprise” of the kind seen before the recession, but at least it was not another negative shock like 2002.

General Sales Tax

Sales tax revenue in the April-June 2004 quarter increased by 7.1 percent over the same quarter the year before. This was slightly weaker than the previous quarter’s 8.3 percent growth, but is the second strongest quarter of growth since April-June 2000.

Sales tax revenue grew fastest in the Mid-Atlantic region with 11.7 percent growth. The weakest growth was in the New England region, where sales tax revenue increased 3.1 percent. Eight states had double-digit growth in sales tax revenue.² In three of these states, the increase was due

**Table 7. Estimated Payments/Declarations
(change year-over-year)**

State	April-June 2004
Average (Mean)	21.2%
Median	16.9
Alabama	28.1
Arizona	30.4
Arkansas	30.8
California	17.7
Colorado	18.6
Connecticut	7.7
Delaware	12.1
Georgia	4.1
Hawaii	42.7
Illinois	17.5
Indiana	1.6
Iowa	6.7
Louisiana	45.1
Maine	12.5
Maryland	20.5
Massachusetts	17.7
Michigan	4.2
Minnesota	52.4
Mississippi	(86.9)
Missouri	6.9
Montana	7.5
Nebraska	19.5
New Mexico	9.4
New York	53.0
North Carolina	7.9
North Dakota	13.9
Ohio	7.0
Oklahoma	18.8
Oregon	(31.3)
Pennsylvania	21.8
Rhode Island	24.3
South Carolina	17.3
Vermont	10.9
Virginia	9.5
West Virginia	5.6
Wisconsin	16.4

See p. 5 for notes.

in large part to legislated tax increases.³ Only Connecticut had a sales tax revenue decline.

Corporate Income Tax

Corporate income tax revenue grew 13.6 percent in the April-June quarter, the eighth straight quarter of growth. The growth this quarter in this notoriously volatile revenue source was slightly weaker than the previous quarter’s 15.7 percent.

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

	2003		2004	
	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June
United States	(0.4)%	(0.2)%	0.2%	1.0%
Sum of States	(0.4)	(0.1)	0.5	0.8
New England	(1.2)	(0.9)	(0.4)	(0.1)
Connecticut	(1.3)	(1.0)	(0.6)	(0.1)
Maine	0.0	0.4	0.6	0.8
Massachusetts	(2.0)	(1.8)	(1.1)	(0.7)
New Hampshire	(0.2)	0.5	1.1	1.5
Rhode Island	1.2	1.0	1.5	0.7
Vermont	0.1	0.2	0.7	0.9
Mid Atlantic	(0.4)	(0.2)	0.3	0.8
Delaware	(0.2)	0.2	1.1	1.4
Maryland	0.3	0.6	0.9	1.4
New Jersey	0.4	0.6	1.2	1.5
New York	(0.8)	(0.6)	0.1	0.6
Pennsylvania	(0.7)	(0.7)	(0.4)	0.2
Great Lakes	(1.1)	(0.9)	(0.2)	(0.1)
Illinois	(1.3)	(0.8)	(0.3)	(0.2)
Indiana	(0.7)	(0.1)	0.7	0.5
Michigan	(2.0)	(1.6)	(1.1)	(0.9)
Ohio	(1.1)	(1.1)	(0.3)	(0.5)
Wisconsin	0.1	(0.3)	1.1	1.4
Plains	(0.7)	(0.2)	0.3	0.8
Iowa	(0.4)	0.0	0.7	0.6
Kansas	(2.1)	(1.1)	0.0	0.5
Minnesota	(0.2)	0.0	0.5	1.0
Missouri	(0.9)	(0.5)	0.2	1.1
Nebraska	(0.4)	(0.1)	(0.3)	0.2
North Dakota	1.0	1.0	1.0	0.3
South Dakota	0.0	0.4	0.9	1.0
Southeast	0.2	0.5	1.0	1.3
Alabama	(0.5)	(0.5)	0.2	0.2
Arkansas	(0.4)	0.2	0.3	0.7
Florida	1.7	1.8	1.9	2.3
Georgia	0.0	0.1	0.6	1.1
Kentucky	(0.5)	(0.1)	0.7	0.3
Louisiana	0.2	0.6	0.3	0.0
Mississippi	(1.0)	0.3	0.4	0.8
North Carolina	(0.8)	(0.4)	0.5	1.0
South Carolina	0.2	0.6	0.8	1.1
Tennessee	0.0	0.3	1.1	0.8
Virginia	0.3	0.6	2.2	2.5
West Virginia	(0.7)	(1.1)	(0.3)	(0.1)
Southwest	(0.6)	(0.2)	0.4	1.1
Arizona	1.1	1.5	2.2	2.4
New Mexico	1.1	1.4	1.3	2.0
Oklahoma	(3.2)	(2.1)	(1.0)	0.5
Texas	(0.7)	(0.4)	0.2	0.8
Rocky Mountain	(0.5)	(0.2)	0.4	1.2
Colorado	(1.6)	(1.1)	(0.6)	0.7
Idaho	0.4	0.1	1.3	2.2
Montana	1.0	0.7	1.3	1.2
Utah	0.3	0.6	1.3	1.6
Wyoming	1.1	1.8	2.1	1.9
Far West	(0.1)	0.1	0.7	1.2
Alaska	1.3	1.4	1.6	1.0
California	(0.3)	(0.2)	0.4	0.7
Hawaii	1.4	1.6	1.8	2.3
Nevada	3.5	3.9	4.2	4.5
Oregon	(1.3)	(0.3)	0.4	2.2
Washington	0.1	0.5	1.1	1.9

Source: Bureau of Labor Statistics.

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 is experiencing sustained growth, though with some areas of continued weakness. The Bureau of Economic Analysis' (BEA's) preliminary estimate for the real Gross Domestic Product (GDP) showed growth of 2.8 percent for the second quarter of 2004.⁴ The national unemployment rate was 5.6 percent for the second quarter, the same as the first quarter.⁵

The difficulty 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), are the only broad-based, timely, high-quality state-level economic indicators 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.

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 second quarter 2004 employment compared to the same period in 2003. By this measure, employment in the April-June 2004 quarter grew by one percent compared to the year before. This is the second quarter of growth in national employment numbers, after nine straight quarters of decline. The growth is gathering steam, and is extending to most areas of the country.⁶

Employment growth was strongest in the Southeast at 1.3 percent. Employment was still

declining in the Great Lakes and New England regions, but only by 0.1 percent.

Employment grew in 44 states, up from 39 in the previous quarter. Twenty-four states had employment growth of one percent or more, led by Nevada with a strong 4.5 percent growth. Michigan had the worst decline at 0.9 percent.

Overall, the employment picture moved into solid growth over the first two quarters of 2004. The states with the strongest growth are concentrated in the southern and western regions of the country, the pattern seen before the recent recession, and consistent with the overall pattern of population growth. There seem to be only a few problem areas where employment is still declining.

Nature of the Tax System

Even if economic growth 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 will tend to see stronger growth in good times, since they benefit from growth in income earned by the highest income individuals, the income that is taxed most heavily. This is most 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 natural gas.)

Because high-end incomes are 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 be if it were based entirely on wages and salaries. In the recent recession, we saw 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. The recession lasted only eight months, but it had significant after effects as the loss of investment capital manifested itself in weak employment numbers, which in turn depressed withholding. However, the stock market recovery seems to be leading to stronger growth again.

States have also learned how sales tax revenue responds to an economic slowdown. 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, were more subject to plunges in sales tax revenue as state residents became nervous about spending on optional and big-ticket items. In the latest economic downturn, however, the sales tax generally maintained slow growth, exhibiting less volatility than the personal income or corporate income taxes. It is now growing strongly as the general economic conditions improve.

Oil has been a 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 often operates largely independently of the general economy.

Tax Law Changes Affecting This Quarter

The final element affecting trends in tax revenue growth is changes in states' tax laws. 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 from nominal collections data. That is why this report attempts to note where such changes have significantly affected each state's revenue growth. We also occasionally note when receipts' processing changes have had a major impact on revenue growth, even though these are not due to enacted legislation, as it helps the reader to understand that the apparent growth or decline is not necessarily indicative of underlying trends.

During the April-June 2004 quarter, enacted tax changes and processing variations increased state revenue by an estimated net \$2.7 billion, com-

pared to the same period in 2003. This was the tenth straight quarter of net enacted tax increases.

Enacted tax changes increased personal income tax collections by a net of over \$1.4 billion. A tax amnesty in California brought in over \$700 million. A new top rate in New York increased collections by over \$300 million. A higher flat tax rate in Pennsylvania raised almost \$200 million more. A capital gains tax increase and various processing changes in Massachusetts increased net tax collections by over \$100 million.

Enacted sales tax changes accounted for a net increase of approximately \$300 million in the April-June quarter. Ohio had an increase of over \$100 million, and New York had an increase of nearly \$200 million. Both states increased their sales tax rates and broadened the bases of their sales taxes. The re-imposition of the sales tax on clothing in New York was particularly significant.

The California tax amnesty also brought in about \$450 million in extra corporate income tax collections. There were also many other smaller tax increases.

Preliminary Fiscal Year 2004 State Tax Revenue

The April-June quarter ends the fiscal year for 46 states.⁷ Table 9 shows the percentage change for these states from 2003 to 2004, using a standardized June-July fiscal year. In a few months, we will issue a report with more complete data for all states' fiscal year 2004 revenue. Current data indicates that state tax revenue grew 7.9 percent in the standardized fiscal year 2004. When we adjust for enacted tax increases and processing changes, this growth was six percent. If we also consider inflation, real underlying revenue grew 3.4 percent. This was the first real underlying growth after two years of decline. While fiscal year 2004 did not completely make up for the losses of those two down years, it was a step in the right direction.

Personal income tax collections increased 9.3 percent in fiscal year 2004 compared to the year before, this strong growth came after two years of declining personal income tax revenue. Corporate income tax revenue grew by 12.5 percent, the second year of strong growth. Sales tax revenue grew

6.4 percent, returning to pre-recession levels of growth after two slow years.

Conclusions

States have begun to reap the benefits of the stronger economy, as their revenues are now growing at rates that rival pre-recession levels. While state tax collections continue to be bolstered by legislated tax increases, state tax revenue now shows significant growth even when these are factored out. The personal income tax has led the way in this revenue recovery, with withholding strengthening through 2003 and into early 2004, estimated tax payments moving sharply up in 2004, and a mixed, but generally positive, final settlements picture. Many states still have some work to do to clear the budget problems brought on by two years of decline and sluggish growth, but the trend is in the right direction.

Endnotes

- 1 Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Oregon, Vermont, and West Virginia.
- 2 Arizona, Florida, Idaho, Nevada, New Mexico, New York, Vermont, and Virginia.
- 3 Idaho, New York, and Vermont.
- 4 United States Department of Commerce, Bureau of Economic Analysis News Release, August 27, 2004.
- 5 United States Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics From the Current Population Survey*, www.bls.gov.
- 6 Note that the employment numbers have been revised as BLS has moved from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS) and made other revisions to its sampling methodology. These revisions have not changed the overall trend.
- 7 Forty-six states have a July 1 to June 30 fiscal year. The exceptions are: New York, where the fiscal year runs from April 1 to March 31; Texas, where it runs from September 1 to August 31; and Alabama and Michigan, where it runs from October 1 to September 30.

No Big Surprise, State Tax Revenue Continues Recovery

Table 9
Change in Tax Revenue by State, July-June, FY 2003 to FY 2004 (In Millions of Dollars)

	<i>Personal Income</i>	<i>Corporate Income</i>	<i>Sales</i>	<i>Total</i>
United States	9.3%	12.5%	6.4%	7.9%
New England	11.6	14.2	2.5	7.4
Connecticut	17.0	(1.6)	1.1	8.0
Maine	7.9	22.4	7.0	12.1
Massachusetts	10.0	24.8	1.1	6.6
New Hampshire	NA	(1.9)	NA	3.0
Rhode Island	9.4	8.9	5.3	7.0
Vermont	4.5	57.1	17.0	9.7
Mid Atlantic	14.2	8.5	9.4	11.3
Delaware	10.0	22.0	NA	14.1
Maryland	13.2	18.0	8.2	11.0
New Jersey ¹	7.8	(1.6)	5.5	5.4
New York	17.9	8.6	17.6	15.6
Pennsylvania	8.8	20.1	2.8	7.6
Great Lakes	3.1	7.8	7.4	5.3
Illinois	3.2	36.4	4.5	7.6
Indiana	4.5	(11.6)	13.1	7.5
Michigan	(0.1)	(4.7)	(0.5)	(0.6)
Ohio	3.7	8.3	17.7	8.7
Wisconsin	4.6	23.5	4.2	5.4
Plains	6.5	5.4	3.8	5.0
Iowa	7.2	(0.9)	1.7	4.0
Kansas	7.9	34.5	1.8	5.3
Minnesota	6.6	6.3	3.8	5.3
Missouri	4.2	(10.2)	4.5	3.6
Nebraska	10.7	50.0	8.3	10.7
North Dakota	7.1	(10.9)	2.2	2.1
South Dakota	NA	NA	6.1	3.6
Southeast	6.6	6.8	6.1	6.2
Alabama	7.8	5.4	5.7	2.3
Arkansas	7.7	5.3	5.2	7.3
Florida	NA	9.5	9.0	9.4
Georgia	5.0	(3.6)	3.2	5.3
Kentucky	1.8	9.1	2.8	2.1
Louisiana	17.4	17.4	(5.2)	5.6
Mississippi	2.3	9.8	0.9	(0.5)
North Carolina	5.9	(5.6)	7.6	5.5
South Carolina	4.5	18.2	6.3	5.1
Tennessee	NA	13.4	7.6	7.9
Virginia	9.0	24.0	9.7	9.8
West Virginia	1.4	0.2	4.3	5.6
Southwest	9.2	27.7	5.5	7.1
Arizona	9.9	26.9	8.5	10.2
New Mexico	6.5	35.9	5.0	10.0
Oklahoma	9.7	22.5	7.8	12.6
Texas	NA	NA	4.9	5.3
Rocky Mountain	6.9	16.0	7.9	8.0
Colorado	5.3	18.7	3.9	5.1
Idaho	7.6	11.0	23.0	12.6
Montana	11.7	49.1	NA	10.9
Utah	8.0	5.7	4.0	6.4
Wyoming	NA	NA	9.0	21.3
Far West	12.3	23.3	6.5	10.5
Alaska	NA	(5.9)	NA	19.2
California	13.0	22.2	6.5	10.8
Hawaii	12.6	591.5	6.0	8.3
Nevada	NA	NA	13.9	23.7
Oregon	6.2	41.1	NA	8.1
Washington	NA	NA	3.9	5.9

See p. 5 for notes.

Table 10
State Tax Revenue, April to June, 2003 and 2004 (In Millions of Dollars)

	2003				2004			
	<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	\$52,214	\$10,060	\$45,548	\$130,651	\$60,377	\$11,427	\$48,804	\$145,397
New England	4,489	534	2,220	9,047	5,361	598	2,288	10,132
Connecticut	1,368	122	753	2,726	1,651	162	731	3,015
Maine	386	38	286	874	428	46	303	1,039
Massachusetts	2,360	267	936	4,268	2,865	275	982	4,800
New Hampshire	NA	62	NA	360	NA	67	NA	376
Rhode Island	244	33	195	590	277	30	209	643
Vermont	132	11	49	231	140	18	63	260
Mid Atlantic	10,450	1,909	5,723	21,578	12,670	2,133	6,391	25,135
Delaware	193	30	NA	541	222	39	NA	635
Maryland	1,383	118	673	2,455	1,577	159	735	2,739
New Jersey	1,413	951	981	3,960	1,592	777	1,037	4,055
New York	5,297	342	2,162	9,146	6,797	519	2,637	11,440
Pennsylvania	2,165	468	1,908	5,477	2,481	638	1,981	6,266
Great Lakes	8,421	1,759	7,398	20,414	9,123	1,672	7,715	21,496
Illinois	2,357	361	1,548	5,044	2,470	425	1,598	5,435
Indiana	1,127	406	1,136	3,041	1,217	331	1,203	3,158
Michigan	1,356	569	1,923	4,726	1,451	488	1,958	4,693
Ohio	2,295	286	1,866	5,012	2,545	260	1,983	5,353
Wisconsin	1,286	137	924	2,591	1,439	168	972	2,856
Plains	4,128	468	3,116	8,812	4,655	480	3,303	9,540
Iowa	691	78	424	1,332	761	87	439	1,422
Kansas	544	63	452	1,161	630	55	453	1,235
Minnesota	1,149	131	1,178	3,165	1,363	132	1,277	3,489
Missouri	1,358	134	599	2,091	1,420	124	637	2,182
Nebraska	304	39	258	657	383	63	282	786
North Dakota	81	23	88	245	98	20	90	255
South Dakota	NA	NA	118	161	NA	NA	125	171
Southeast	9,459	2,069	11,788	28,787	10,573	2,196	12,682	31,352
Alabama	717	75	450	1,676	836	100	490	1,881
Arkansas	558	84	445	1,160	643	86	464	1,281
Florida	NA	511	3,751	5,785	NA	476	4,154	6,237
Georgia	1,716	214	1,319	3,492	1,843	191	1,344	3,747
Kentucky	781	115	696	1,852	826	120	732	1,954
Louisiana	614	127	541	1,732	762	150	569	1,987
Mississippi	321	65	685	1,440	344	87	726	1,429
North Carolina	1,911	267	980	3,559	2,140	269	1,038	3,870
South Carolina	607	58	534	1,368	679	59	584	1,508
Tennessee	NA	312	1,389	2,540	NA	352	1,477	2,778
Virginia	1,903	181	737	3,277	2,148	231	831	3,737
West Virginia	334	59	261	908	353	75	274	944
Southwest	1,435	275	5,757	11,707	1,695	328	6,306	13,118
Arizona	542	180	783	1,640	677	226	867	1,965
New Mexico	287	43	331	842	338	47	386	980
Oklahoma	606	52	371	1,284	680	55	393	1,403
Texas	NA	NA	4,272	7,941	NA	NA	4,660	8,770
Rocky Mountain	1,846	246	1,083	3,792	2,091	268	1,203	4,199
Colorado	952	104	445	1,532	1,053	114	476	1,673
Idaho	256	47	214	674	302	53	264	770
Montana	166	16	NA	394	207	28	NA	451
Utah	473	79	354	1,025	529	73	388	1,130
Wyoming	NA	NA	69	167	NA	NA	75	175
Far West	11,985	2,800	8,464	26,513	14,208	3,753	8,916	30,425
Alaska	NA	17	NA	449	NA	18	NA	478
California	10,572	2,649	6,010	20,299	12,641	3,568	6,245	23,477
Hawaii	246	23	454	814	336	37	483	947
Nevada	NA	NA	570	649	NA	NA	666	888
Oregon	1,167	112	NA	1,318	1,232	130	NA	1,404
Washington	NA	NA	1,430	2,984	NA	NA	1,522	3,232

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Table 11
State Tax Revenue, July to June, FY 2003 and FY 2004 (In Millions of Dollars)

	FY 2003				FY 2004			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	\$181,548	\$27,272	\$176,058	\$462,307	\$198,498	\$30,677	\$187,408	\$498,857
New England	14,289	1,625	8,353	30,280	15,949	1,856	8,564	32,533
Connecticut	3,969	461	2,793	8,815	4,644	453	2,825	9,524
Maine	1,072	91	857	2,432	1,157	112	917	2,727
Massachusetts	8,026	799	3,708	14,964	8,830	998	3,749	15,954
New Hampshire	NA	175	NA	1,239	NA	172	NA	1,277
Rhode Island	812	71	776	1,984	888	77	817	2,123
Vermont	411	29	219	847	430	45	256	929
Mid Atlantic	40,106	6,153	23,426	83,736	45,798	6,676	25,620	93,176
Delaware	710	66	NA	1,722	781	81	NA	1,966
Maryland	4,341	379	2,435	7,874	4,915	447	2,635	8,737
New Jersey	5,770	2,073	4,862	15,386	6,221	2,039	5,129	16,214
New York	22,179	2,238	8,609	38,257	26,148	2,431	10,128	44,212
Pennsylvania	7,106	1,397	7,520	20,497	7,734	1,678	7,729	22,046
Great Lakes	29,598	4,917	27,784	73,461	30,501	5,299	29,842	77,346
Illinois	7,979	1,011	6,093	17,942	8,235	1,379	6,366	19,297
Indiana	3,644	729	4,172	9,880	3,808	645	4,721	10,620
Michigan	5,916	1,898	7,745	20,058	5,912	1,809	7,708	19,927
Ohio	7,420	747	6,398	16,318	7,697	809	7,531	17,738
Wisconsin	4,639	532	3,375	9,264	4,850	657	3,516	9,764
Plains	15,295	1,485	12,054	32,257	16,287	1,566	12,508	33,880
Iowa	2,418	237	1,704	4,735	2,592	235	1,732	4,926
Kansas	1,750	105	1,794	4,012	1,888	141	1,827	4,224
Minnesota	5,372	589	4,217	12,250	5,727	626	4,378	12,906
Missouri	4,393	367	2,464	7,224	4,580	330	2,574	7,483
Nebraska	1,129	112	1,029	2,456	1,250	167	1,114	2,719
North Dakota	233	76	364	900	249	68	372	919
South Dakota	NA	NA	482	680	NA	NA	512	704
Southeast	33,459	5,193	44,823	101,034	35,653	5,549	47,547	107,314
Alabama	2,445	289	1,769	6,344	2,636	304	1,870	6,491
Arkansas	1,832	228	1,751	4,072	1,973	240	1,841	4,367
Florida	NA	1,228	14,485	19,743	NA	1,345	15,792	21,591
Georgia	6,271	513	4,771	12,590	6,583	495	4,922	13,261
Kentucky	2,746	278	2,797	6,983	2,796	303	2,877	7,126
Louisiana	1,870	198	2,271	5,789	2,196	233	2,152	6,113
Mississippi	1,042	289	2,453	5,129	1,066	317	2,476	5,101
North Carolina	7,089	886	3,923	13,163	7,510	837	4,222	13,891
South Carolina	2,328	147	1,879	4,997	2,434	174	1,996	5,254
Tennessee	NA	613	5,379	8,441	NA	695	5,786	9,109
Virginia	6,776	343	2,336	10,807	7,385	426	2,562	11,867
West Virginia	1,061	181	1,008	2,976	1,075	182	1,051	3,144
Southwest	5,035	593	22,879	42,199	5,499	757	24,146	45,192
Arizona	2,098	389	3,036	5,943	2,306	494	3,295	6,547
New Mexico	923	102	1,375	2,960	983	138	1,443	3,257
Oklahoma	2,014	102	1,427	4,379	2,210	125	1,538	4,932
Texas	NA	NA	17,041	28,917	NA	NA	17,870	30,457
Rocky Mountain	6,174	490	4,365	13,024	6,597	568	4,710	14,062
Colorado	3,232	199	1,831	5,415	3,404	236	1,902	5,693
Idaho	844	94	836	2,275	908	104	1,029	2,562
Montana	522	45	NA	1,126	583	67	NA	1,248
Utah	1,575	153	1,444	3,667	1,702	161	1,502	3,902
Wyoming	NA	NA	254	542	NA	NA	277	657
Far West	37,592	6,815	32,375	86,316	42,213	8,405	34,471	95,355
Alaska	NA	47	NA	1,023	NA	44	NA	1,219
California	32,531	6,535	22,453	64,730	36,773	7,987	23,908	71,731
Hawaii	1,038	8	1,793	3,182	1,169	57	1,900	3,446
Nevada	NA	NA	2,192	2,560	NA	NA	2,496	3,166
Oregon	4,023	225	NA	4,397	4,271	318	NA	4,754
Washington	NA	NA	5,937	10,424	NA	NA	6,166	11,038

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.

Missouri: The total taxes are the sum of the three major taxes.

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 second calendar quarter revenue data for 50 states.

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. Lucy Dadayan assisted with the collection of data for this report.

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Fiscal Studies Program

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