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State Tax Revenues in Flux

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Contents

Highlights

- State tax revenue grew 1.4 percent in the fourth quarter of 2016, compared to the same quarter in 2015.
- Personal income tax and sales tax, the two largest sources of tax revenues, grew 0.3 and 1.7 percent, respectively.
- Motor fuel tax increased 0.9 percent, while corporate income tax revenue declined 2.5 percent, marking the fifth consecutive quarterly decline.
- Preliminary figures for the first quarter of 2017 indicate stronger growth of state tax revenues at 3.4 percent, compared to the first quarter in 2016.
- Early data for the month of April indicate widespread and large declines in income tax collections, mostly attributable to declines in estimated and final payments.
- The median forecast by states of income tax and sales tax growth is 3.6 and 3.1 percent, respectively, for fiscal year 2017.
- Revenue forecasts for 2018 remain weak.
- Oil-dependent states continue to face significant fiscal challenges.
- States face fiscal uncertainty with federal tax policy in flux and potential cuts in federal aid to the states on the horizon.

Summary

State and local government tax revenues continue to grow at an extremely slow pace. Overall, state governments have been hit harder by slowing tax revenue growth than local governments. Some state and local governments — particularly those that rely heavily on sales taxes or income taxes, as some large cities do — and local governments in oil-producing states are likely to be faring much worse than average.

- *State and Local Government Revenue Combined.* State and local government revenue from major taxes increased 2.3 percent in the fourth quarter of 2016 compared to a year earlier, which is slightly slower than the 2.5 percent average growth for the four previous quarters (see Table 1). (The fourth quarter is the most recent quarter for which we have full details.)
- *Local Government Revenue.* Local governments as a group rely heavily on property taxes, which are relatively stable but weakened somewhat in the fourth quarter, growing by 4.0 percent, compared with a 5.1 percent average in the prior four quarters.
- *State Government Revenue.* Total state government tax revenue from all sources grew 1.4 percent. This continues the weakness seen in recent quarters. It is slower than the 1.8 percent growth of the third quarter, and is slightly negative after adjusting for inflation. The quarter's growth was slightly higher than the average annual growth rate of 1.1 percent for the four previous quarters, which has been weighted down by an outright declines in the second quarter of 2016. Preliminary data for the first quarter of 2017 indicate stronger growth in personal income taxes that may in part reflect changes in the timing of state tax payments to benefit from possible federal tax cuts. Preliminary data indicate that sales tax grew 2.6 percent and corporate income tax declined yet again. The Institute has collected preliminary data on the all-important April tax returns, and these data indicate steep declines in both estimated and final payments. Taken as a whole, the weak fourth quarter, the stronger first quarter income tax that may reflect taxpayer gaming of federal tax rates, and bad April tax returns suggest more gloom for state budgets as the new state fiscal year is about to begin. States are also anxious about potential changes in federal tax policy as well as potential cuts in federal aid to the states, which could lead to great fiscal uncertainty.

The recent weakness in state tax revenue has been caused by:

- *Substantial weakness in income tax, mostly caused by the declines in estimated payments and final returns in the second, third, and fourth quarters of 2016.* According to income tax component data collected by the Rockefeller Institute from individual states, estimated payments declined 8.2, 3.6, and 0.6 percent, respectively, in the

second, third, and fourth quarters of 2016. Similarly, final returns declined 5.4, 1.2, and 0.4 percent, respectively, in the second, third, and fourth quarters of 2016.

- *The declines in estimated and final payments in the second quarter of 2016, when tax returns were filed, likely were caused by the weak stock market in 2015.* After a weak start to 2016, the stock market rebounded in the second half of the year, making the declines in estimated taxes in the third and fourth quarters a bit surprising. Estimated payments resumed growth in the first quarter of 2017 and increased by a modest 0.2 percent, while final payments declined by 1.6 percent. Preliminary data for April 2017 indicate steep declines in both estimated and final payments as well as for overall personal income tax collections. These declines could be attributable to changes in taxpayer behavior in anticipation of federal tax reform: Some high-income taxpayers might have pushed income from capital gains as well as other sources out of 2016 to 2017 in the anticipation of lower tax rates in 2017, as promised by the federal government. Other factors also could be at work, as discussed below.
- *Continued weakness in the sales tax, consistent with weak growth in taxable consumption.* State sales tax revenue grew 1.7 percent in the fourth quarter of 2016, down from an average of 2.3 percent in the four previous quarters. Preliminary data for the first quarter of 2017 indicate growth of 2.6 percent. Consumption of durable and nondurable goods figure prominently in many states' sales taxes, and consumers have been tightening their wallets: Year-over-year growth in nominal consumption of durable goods slowed from 4.7 percent in the fourth quarter of 2015 to 3.5 percent in the fourth quarter of 2016. Nondurable goods consumption was weak throughout 2015 and 2016. The weakness in nondurable goods consumption was driven by the sharp declines in oil and gas prices, which led to declines in spending on gasoline and other energy goods that do not appear to have been compensated for by increased consumption of other taxable items.
- *Outright declines in corporate income taxes.* State corporate income taxes declined 2.5 percent in the fourth quarter of 2016. Preliminary data for the first quarter of 2017 suggest corporate income taxes declined steeply, by double digits, marking the sixth consecutive quarterly decline. Fortunately, most states do not rely heavily on corporate income taxes.
- *Extreme weakness in oil-producing states.* Oil-dependent state economies have been hit hard by declines in oil prices and production. Most of these states rely heavily on severance taxes, which have declined sharply. In addition, oil states' economies have slowed greatly, causing weakness and shortfalls in other taxes. Most

of the states with economies heavily concentrated in oil and mineral production had year-over-year declines in total state tax revenue in the third and fourth quarters of 2016.

States have been forecasting weak revenue growth for fiscal 2017, with only 3.6 percent growth in the income tax and 3.1 percent growth in the sales tax. Several states had already reduced their revenue forecasts for fiscal 2017 in the post-election period. Despite the downward revisions, state revenue forecasts for fiscal year 2017 are likely to be reduced further. We anticipate actual tax revenue collections will be short of the forecasts in the typical state once states close the budget books for fiscal year 2017.

States face new budgetary uncertainties for the coming years under the new federal administration: Potential federal tax reform, health care reform, and other fiscal policy changes would undoubtedly have a direct impact on state budgets, as well as impacts on state economies. The uncertainty tied to federal policy changes put state forecasters in a tough position and quite understandably makes it harder to forecast state revenues with any precision.

States will need to worry about at least three kinds of effects from federal tax reform, all of which are highly uncertain at this point: (1) the impact of tax reform on the economy; (2) the direct impact of tax reform on state government tax bases in cases where states conform to federal tax law; and (3) indirect impacts on state tax revenue as taxpayers change their behavior in anticipation of, and in response to, federal tax reform. While the federal tax reform bill has not been enacted yet, we believe that taxpayers have already taken actions and shifted part of their taxable capital gains from 2016 to 2017. The large declines in estimated and final payments is a clear indication that taxpayers had decelerated income.

As a candidate, President Trump proposed significant cuts in top income tax rates; elimination of the Affordable Care Act's 3.8 percent net investment income tax imposed on higher-income taxpayers; and substantial increases in the standard deduction, among other things. The likelihood of lower tax rates in 2017 created a large incentive for high-income taxpayers to push income from wages, interest, and other sources out of 2016 into 2017, and to accelerate deductions into 2016, depressing taxable income in 2016. And the proposed increase in the standard deduction created a modest incentive for middle-income taxpayers to accelerate itemized deductions into 2016, when these deductions will be most useful.

If these were the only effects, state taxable income clearly would be depressed in 2016, and pushed up in 2017, although the magnitude would be devilishly hard to predict. We would expect to see lower payments of estimated income tax in December and January and lower payments of final returns in April and May, relative to what otherwise would occur. While these effects are likely, they could be camouflaged in part by another effect: Very high-income taxpayers had an incentive to accelerate payments of state and local government taxes into 2016, to the extent that these taxes are deductible on federal income tax returns, so that they could be used against 2016's higher tax rates. Thus, these taxpayers would prefer to have paid state income taxes in December rather than in January or in April when returns are filed, and they also might have preferred to pay local property taxes in 2016.

Thus, taxpayers had incentives to reduce taxable income in 2016, but to *increase* payments of state and local government taxes in 2016 despite *lower* income. It will be very difficult for state revenue forecasters to sort this out. As we have discussed in past *State Revenue Reports*, behavioral incentives can have powerful effects on state tax revenue even if federal tax reform is not enacted or is substantially different than expected. The possibility of reform is enough to change behavior. States will need to do their best to understand and estimate these potential impacts, and then buckle up for the ride.

Recent Trends in State and Local Tax Revenues

State and local government tax revenues have been growing at an extremely slow pace. In the fourth quarter the growth in state and local government revenue from major taxes was 2.3 percent, which is slower than the 2.5 percent average growth for the four previous quarters (see Table 1). For the most part, state governments have been hit harder by slowing tax revenue growth than localities. Some local governments — particularly those that rely heavily on sales taxes or income taxes, as some large cities do — and local governments in oil-producing states are likely to be faring much worse than average. More so, some local governments are being hit hard by the closures of big department stores such as Macy's or JCPenney, as well as by closures of other stores and shopping malls, which have an adversarial impact on local nonresidential property taxes as well as on sales, personal income, and corporate income taxes.

Table 1. State and Local Government Tax Revenue Growth
Year-Over-Year Change

(Dollar amounts in millions)

	2015 Q4	2016 Q4	$ change	% change	Prior 4 quarters[2]
State and Local Government					
Total, major taxes[1]	**$391,812**	**$400,953**	**$9,141**	**2.3%**	**2.5%**
State Government					
Total state taxes	**$218,504**	**$221,526**	**$3,022**	**1.4%**	**1.1%**
Total major taxes	**$165,490**	**$166,636**	**$1,146**	**0.7%**	**1.3%**
Sales tax	71,613	72,827	1,214	1.7%	2.3%
Personal income tax	80,359	80,562	203	0.3%	1.8%
Corporate income tax	8,927	8,707	(220)	-2.5%	-8.9%
Property tax	4,591	4,540	(51)	-1.1%	5.4%
Total, other state taxes	**$53,013**	**$54,889**	**$1,876**	**3.5%**	**0.4%**
Local Government					
Total major taxes	**$226,322**	**$234,317**	**$7,995**	**3.5%**	**4.0%**
Sales tax	20,004	20,047	43	0.2%	1.0%
Personal income tax	8,375	8,515	140	1.7%	2.0%
Corporate income tax	1,889	1,955	66	3.5%	-7.3%
Property tax	196,054	203,800	7,746	4.0%	5.1%

Source: U.S. Census Bureau (tax revenue), with Rockefeller Institute of Government adjustments.
Notes: 1. The Census Bureau only reports on major taxes of local government (sales, personal income, corporate income, and property tax).
2. Average of four prior year-over-year percent changes.

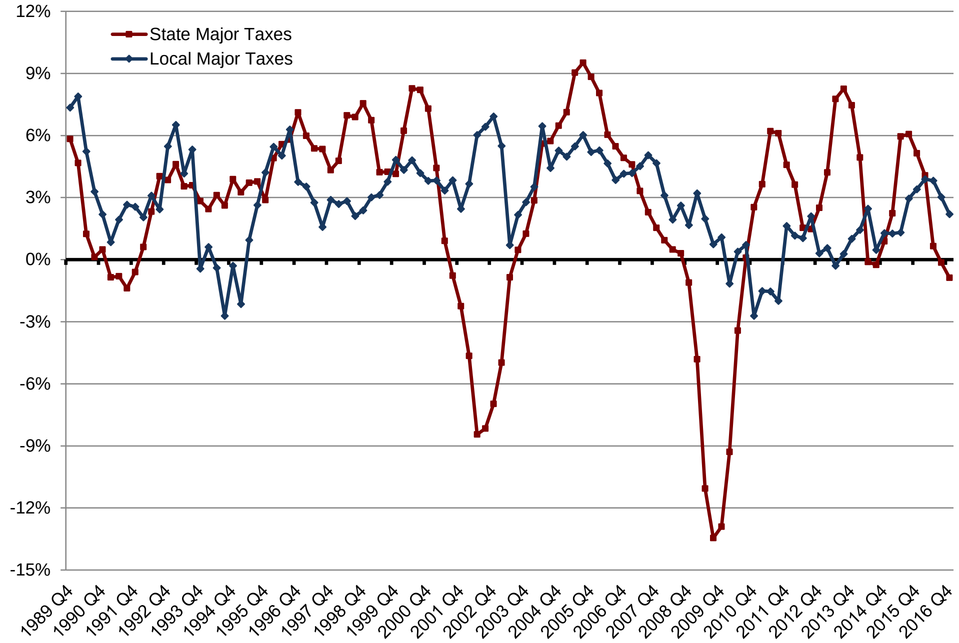
Figure 1 shows changes in major state and local tax revenues over time, specifically, the year-over-year percentage change in the four-quarter moving average of inflation-adjusted state tax and local tax collections from major sources: personal income, corporate income, sales, and property taxes. As shown in Figure 1, state taxes from major sources fluctuated greatly over the last four years, mostly driven by the impact of the federal fiscal cliff and volatility in the stock market. State major taxes, adjusted for inflation, declined

0.9 percent in the last four quarters relative to the year-earlier period, which is the second consecutive quarterly decline.

The four-quarter moving average of inflation-adjusted local taxes grew 2.2 percent in the fourth quarter of 2016. Most local governments rely heavily on property taxes, which are relatively stable and respond to property value declines slowly. By contrast, the income, sales, and corporate taxes that states rely heavily on respond rapidly to economic declines. Over the last two decades, property taxes have consistently made up at least two-thirds of total local tax collections.

Figure 1. State Major Tax Revenues Declined in the Third and Fourth Quarters of 2016

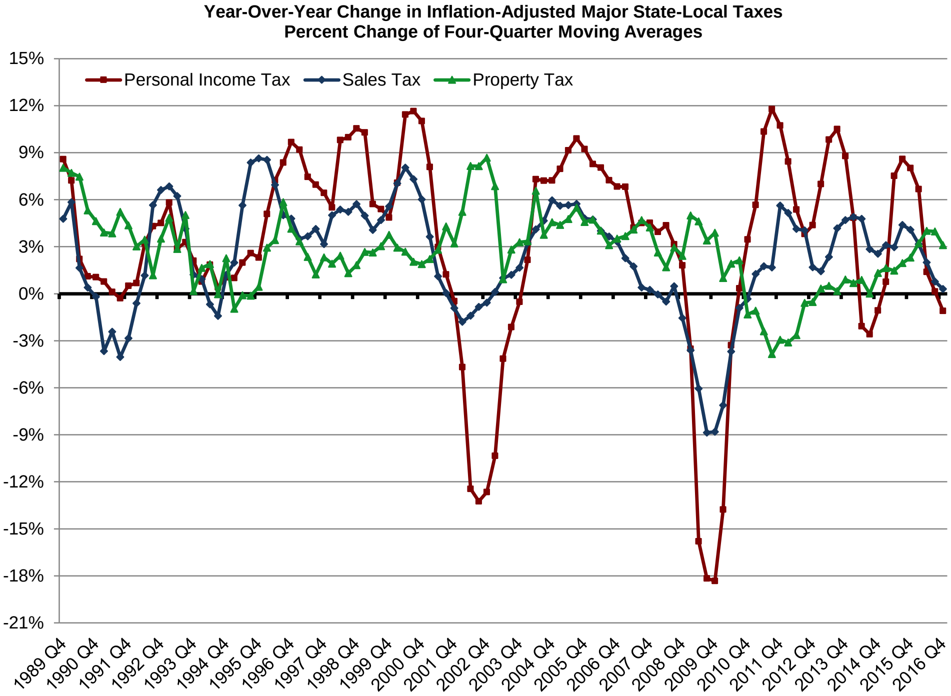
Year-Over-Year Change in Inflation-Adjusted State and Local Taxes From Major Sources
Percent Change of Four-Quarter Moving Averages



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue & Bureau of Economic Analysis (GDP).
Notes: (1) Percentage change of four-quarter moving averages. (2) Data are for four major tax categories only: general sales tax, personal income tax, corporate income tax, & property tax. (3) Data are adjusted for inflation. (4) No adjustments for legislative changes.

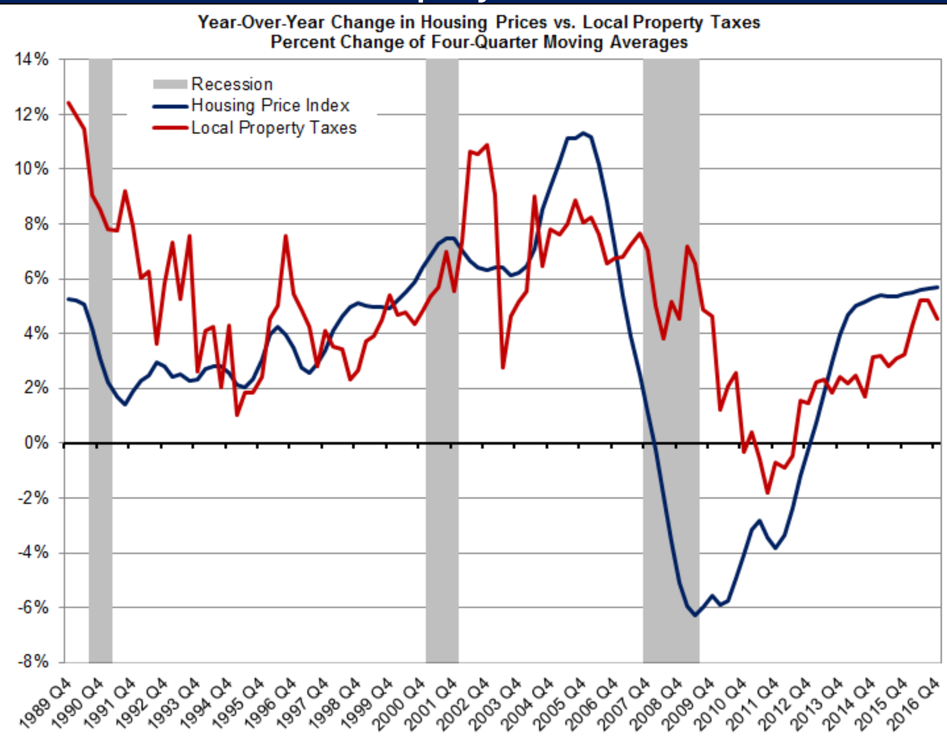
Figure 2 shows changes in tax revenues over time and highlights the decline in personal income tax revenues. Specifically, looking at the year-over-year percent change in the four-quarter moving average of inflation-adjusted state and local income, sales, and property taxes illustrates how both the income tax and the sales tax showed slower growth, and then outright decline, from 2006 through most of 2009. By this measure, which reflects the prior three quarters as well as the current quarter, state-local personal income and sales tax had downward trends in the last four quarters. In fact, state-local income tax collections declined by 1.1 percent, while sales tax collections grew by modest 0.3 percent in the fourth quarter of 2016. The four-quarter moving average of inflation-adjusted state-local property taxes grew by 3.1 percent.

Figure 2. Personal Income Tax Revenues Declined in the Fourth Quarter



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).
Notes: (1) Percentage change of four-quarter moving averages. (2) Data are adjusted for inflation.

Figure 3. Continued Growth in Housing Prices; Growth in Local Property Taxes Ticks Downward



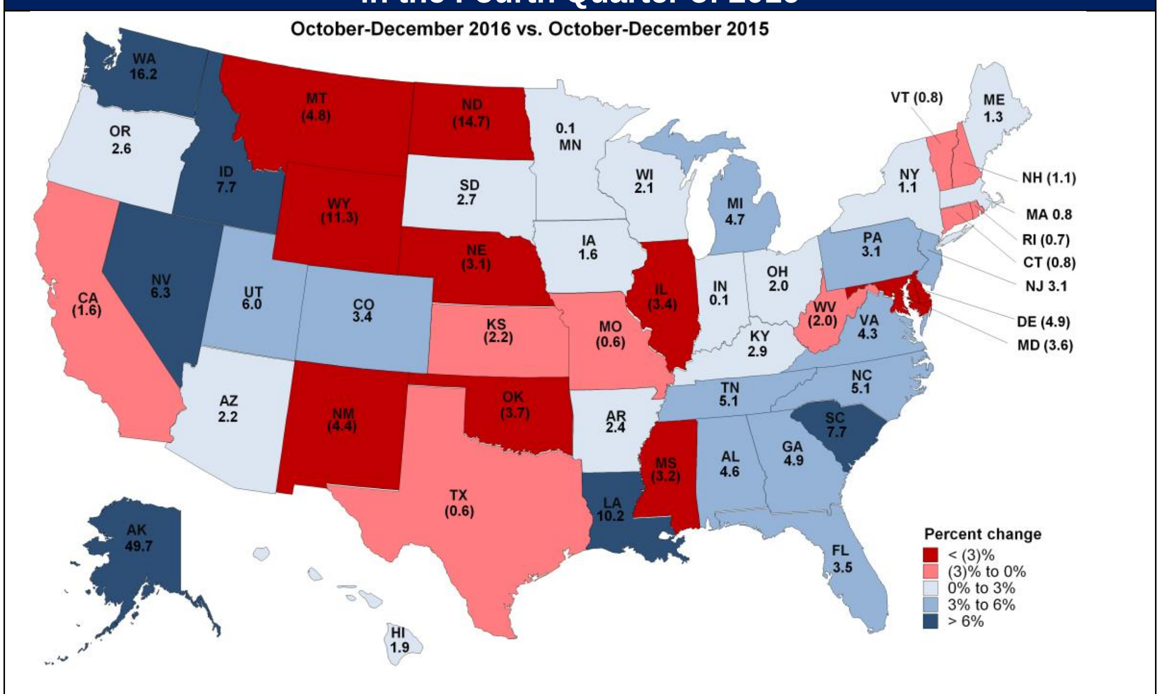
Sources: U.S. Census Bureau (tax revenue) and Federal Housing Finance Agency, House Price Indexes data (all transactions).

Figure 3 shows that while housing prices have continued to grow, property taxes lag behind, looking at the year-over-year percent change in the four-quarter moving average of the housing price index and local property taxes. Declines in housing prices usually lead to declines in property taxes, with some lag. The deep declines in housing prices caused by the Great Recession led to a significant slowdown in property tax growth and then to an actual decline in fiscal years 2011 and 2012.[1] The housing price index began moving downward around mid-2005, with steeply negative movement from the last quarter of 2005 through the second quarter of 2009. The decline in local property taxes lagged behind the decline in housing prices. The trend in the housing price index and local property taxes has been generally upward in the past four years. The housing price index grew 5.7 percent while local property taxes grew 4.5 percent in the fourth quarter of 2016, compared to the same period in 2015.

State Tax Revenue

Total state government tax revenue grew 1.4 percent in the fourth quarter of 2016 relative to a year ago, in nominal terms, according to Census Bureau data as adjusted by the Rockefeller Institute.[2] All major tax revenue sources grew, except the corporate income tax, which declined 2.5 percent. Individual income tax collections grew 0.3 percent, while sales tax and motor fuel tax collections grew 1.7 and 0.9 percent, respectively. Table 3 shows growth in state tax revenue with and without adjustment for inflation and Table 4 shows growth by major tax in nominal terms.

Figure 4. State Tax Collections Declined in Nineteen States in the Fourth Quarter of 2016



Although most oil-producing states were hardest hit by slowing revenue growth in the fourth quarter of 2016, a few other states had declines as well, mostly driven by the declines in personal income tax collections (see Figure 4). Preliminary data for the first quarter of 2017 suggest that over a dozen states had declines in total state tax collections. These declines may leave 2017 budgets with some holes to fix. State tax revenue growth is likely to remain slow and highly uncertain throughout the remainder of fiscal year 2017 and in the forthcoming fiscal year 2018.

Total state tax revenues declined in nineteen states in the fourth quarter of 2016 (see Table 5 and Table 6). Tax revenues declined in the Plains and Southwest regions at 1.2 and 0.7 percent, respectively. The Southeast region had the strongest growth at 4.2 percent, followed by the Rocky Mountain region at 2.8 percent.

The oil- and mineral-dependent states generally rely heavily on severance taxes.[3] The steep oil price declines throughout 2015 and early 2016 led to declines in severance tax collections and depressed economic activity, leading to weakness or declines in other taxes. North Dakota and Wyoming continued having the largest declines in total tax revenue at 14.7 and 11.3 percent, respectively. Total tax collections also declined in the other oil- and mineral-dependent states, including Montana, New Mexico, Oklahoma, Texas, and West Virginia, but grew in Alaska and Louisiana. The growth in Alaska is misleading, reflecting an increase from the extremely depressed revenue levels of the previous two years; severance taxes, which constitute the preponderance of Alaska’s total tax revenue, remain less than half as large as they were three and four years ago. The growth in Louisiana is mostly attributable to sweeping legislative changes, including 1-percent increase in sales tax and an increase in the tax on tobacco and alcohol.

Personal Income Tax

Personal income tax revenues grew 0.3 percent in nominal terms, but declined 1.3 percent in inflation-adjusted terms in the fourth quarter of 2016 compared to the same period in 2015. State personal income tax revenues were weak throughout calendar year 2016.

Personal income tax collections declined in all regions but the New England, Southeast, and Rocky Mountain in the fourth quarter. The Southwest region had the largest decline at 2.9 percent, while the Rocky Mountain had the greatest growth at 7.3 percent.

Eighteen states reported declines in personal income tax collections. North Dakota had the largest decline at 16.4 percent, which is partially attributable to cuts in income tax rates but also due to declines in employment caused by the weakness in oil production.

We can get a clearer picture of collections from the personal income tax by breaking this source down into four major components: withholding, quarterly estimated payments, final payments, and refunds. The Census Bureau does not collect data on individual components of personal income tax collections. The data presented here were collected by the Rockefeller Institute from the states directly (Table 2). Our data are more current than the Census Bureau data and provide a preliminary view of income tax collections for the first quarter of 2017, which was strong despite continued weakness in estimated and final payments.

Table 2. Growth in Personal Income Tax (PIT) Components Year-Over-Year Percent Change

PIT Component	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	Comments
Withholding	2.1%	5.0%	4.9%	2.0%	4.6%	2.7%	3.6%	2.8%	5.8%	Largest PIT component; generally reflects the current economy.
Estimated Payments	8.1%	18.2%	9.0%	14.3%	3.1%	-8.2%	-3.6%	-0.6%	0.2%	Second quarter payments usually are heavily influenced by the previous year's stock market.
Final Returns	12.4%	20.0%	9.7%	16.2%	4.2%	-5.4%	-1.2%	-0.4%	-1.6%	Second quarter is usually the largest collections quarter by far.
Refunds	-3.2%	-1.0%	4.0%	0.1%	9.0%	7.6%	5.1%	25.2%	-2.9%	A positive number means that refunds increased; negative means refunds decreased.
PIT Total	**6.2%**	**14.1%**	**5.8%**	**4.5%**	**2.6%**	**-3.6%**	**2.2%**	**0.4%**	**7.2%**	

Source: Individual state data, analysis by the Rockefeller Institute.
Note: The percent changes for total PIT differ from data reported by the U.S. Census Bureau.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is much less volatile than estimated payments or final settlements. Table 7 shows state-by-state, year-over-year quarterly growth in withholding for the last five quarters. Growth in withholding was 4.6 percent in the first quarter of 2016 but softened substantially in the second, third, and fourth quarters, at 2.7, 3.6, and 2.8 percent, respectively. According to preliminary data, withholding grew 5.8 percent in the first quarter of calendar year 2017.

Thirty-two states reported growth in withholding for the fourth quarter of 2016, while nine reported declines. Once again, withholding declines were common among oil- and mineral-dependent states. North Dakota's decline of 16.9 percent was the largest in the nation, driven by tax rate reductions and the negative impact of the oil crash on the state economy and employment. Withholding grew in all regions but the Southwest. The Southeast region had the strongest growth at 4.4 percent.

According to preliminary data, thirty-nine states reported growth in withholding in the first quarter of 2017.

Estimated Payments

The highest-income taxpayers generally make estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, such as capital gains realized in the stock market. Estimated payments normally represent a small proportion of overall income-tax revenues, but can have a large impact on the direction of overall collections. Estimated payments accounted for roughly 15 percent of total personal income tax revenues in the fourth quarter of 2016 and roughly 22 percent in the first quarter of 2017.

The first payment for each tax year is due in April in most states and the second, third, and fourth payments are generally due in June, September, and January (although many high-income taxpayers make this last state income tax payment in December, so that it is deductible on the federal tax return for that year, rather than the next). In some states, the first estimated payment includes payments with extension requests for income tax returns on the prior year, and thus is related partly to income in that prior year. Subsequent payments generally are related to income for the current year, although often that relationship is quite loose.

The first payment is usually difficult to interpret as it can include a mix of payments related to the current tax year and the previous tax year. It can reflect, for example, stock market activity in the previous year. The second and third payments are easier to interpret because they are almost unambiguously related to the current year. Weakness in these payments can reflect weakness in nonwage income, such as that generated by the stock market. However, it can also be "noisy" in the sense that it reflects taxpayers' responses to tax payment rules as well as to expected nonwage income.

In the thirty-eight states for which we have data for the fourth payment (attributable to the 2016 tax year), the median payment declined 2.1 percent compared to the previous year, which is a substantial weakness compared to the median growth of 4.4 percent reported for the fourth payment of tax year 2015 (see Table 8). Twenty-three states reported declines for the fourth payment, with seven states reporting double-digit declines.

The median payment also showed declines for the second and third payments of tax year 2016 at 4.2 and 1.3 percent, respectively. These declines are mostly attributable to the weak stock market in early 2016. However, stock market had resumed growth in the second half of 2016, and the declines in estimated payments for the fourth payment are most likely attributable to taxpayer behavior. We believe that many high-income taxpayers may have shifted income from tax year 2016 to 2017 in the anticipation of federal tax reform and lower tax rates for 2017.

Final Payments

Final payments normally represent a smaller share of total personal income tax revenues in the first, third, and fourth quarters of the tax year, and a much larger share in the second quarter of the tax year, due to the April 15th income tax return deadline. In the fourth quarter of 2016 and first quarter of 2017 final payments accounted roughly for 5 percent of all personal income tax revenues.

Final payments with personal income tax returns declined 4.7 percent in the median state in the fourth quarter of 2016, and by 1.8 percent in the first quarter of 2017. Table 9 shows year-over-year quarterly growth in final payments for 2016.

Refunds

Personal income tax refunds grew 25.2 percent in the fourth quarter of 2016 compared to the same quarter in 2015. In total, states paid out about $1.5 billion more in refunds in the fourth quarter of 2016. Overall, twenty-five states paid out more refunds in the fourth quarter of 2016 compared to the same quarter of 2015. New York and California alone paid out $0.7 billion and $0.5 billion more refunds in the fourth quarter of 2016. Refunds, however, declined 2.9 percent in the first quarter of 2017 compared to the same quarter in 2016. This time New York paid out $1.4 billion less refunds compared to the first quarter in 2016.

Potential Federal Tax Changes and the Personal Income Tax

Estimated payments of income tax are particularly difficult to interpret now. The stock market declined in the first half of calendar year 2016 but resumed strong growth in the second half of 2016. The calendar year average growth for the stock market was 2.6 percent in 2016 and the year-end to year-end growth was over 9 percent, as measured by the S&P 500 index.[4] All else equal, this would suggest relatively strong capital gains in 2016, which in turn could boost estimated payments of income tax. However, the picture is muddied by three factors.

First, estimated payments on 2015 income were strong, but perhaps stronger than underlying tax liability required, resulting in weak final returns the following April, as discussed in past *State Revenue Reports*. Taxpayers may have had the ability to reduce their estimated payments in 2016 to make them more compatible with underlying liability and with safe harbors allowed in the tax law.

Second, as discussed in *Summary,* late in 2016 taxpayers may have expected income tax cuts in 2017 under President Trump. Candidate Trump's proposed top-rate cuts that would affect some forms of income upon which taxpayers make estimated payments, such as interest and dividends, and his proposed elimination of the ACA net investment income tax would have affected capital gains. And, of course, investors might have expected further cuts for investment income as a result of congressional negotiations. These potential changes created incentives for taxpayers to push income out of 2016 into 2017, when rates might be lower. Capital gains are the easiest form of income to defer — it is easier to delay selling stocks than it is, say, to postpone working and receiving wages (if one needs the money), and it is easier than convincing a corporation to defer paying dividends, although some of that could occur with closely held corporations. Other kinds of income could be affected, too. For example, retirees could choose to delay withdrawals from IRA and 401(k) accounts. But capital gains deferrals are likely to be the largest sort of deferral because deferring them is easy and because they are taken largely by very high-income taxpayers for whom tax-rate reductions provide the greatest bang for the buck.

How big could the deferral be? We estimate, based on our analysis of the last time major changes in federal tax rates on capital gains were anticipated, that taxpayers might defer as much as 10 to 20 percent of capital gains from 2016 to 2017 or later, although this is an educated guess (backed by data analysis). This seems reasonably consistent with the latest analysis from the Congressional Budget Office, which reports a 10.4 percent decline in capital gains in 2016, despite the relatively strong stock market at least in the second half of 2016, followed by an 11 percent bounce-back in 2017.[5] Whether states were expecting such a decline and bounce-back will vary from state to state. For example, both the Legislative Analyst's Office and the Department of Finance in California estimated above 15 percent growth in capital gain realizations in 2017.[6] Officials in New York estimated capital gains realizations to have declined 19.4 percent in calendar year 2016. New York projected a moderate rebound in realizations of 12.5 percent in tax year 2017.[7] Other states also may have greatly varying views.

The third factor that could influence the income tax in the short term is that despite the incentive to push income out of 2016 and into 2017, taxpayers also had an incentive to pull state and local government tax payments from 2017 into 2016. That is, if they expected lower federal tax rates in 2017, and if they are able to benefit from deducting state and local tax payments (which can depend upon the alternative minimum tax), then it could have been to their advantage to accelerate deductible tax payments into 2017. For example, they may have accelerated payments from January into December, or even decided that they should pay even more estimated income taxes in December, and pay less when tax returns are filed in April. This could help to explain why estimated payments, although weak during 2016, did not drop off significantly at the end of the year.

All of this makes for a very confusing situation for states, with little data that can be used to decide upon appropriate assumptions. Early data indicate that there was a large downward pressure on April tax returns. That is consistent with the idea that taxpayers deferred income out of 2016 into 2017 and beyond, but it also is consistent with other potential facts — for example, certain components of the economy in 2016 about which we know relatively little because of a paucity of data, particularly nonwage income components, might have been weaker than currently estimated by the federal government. If so, payments in April would have been weaker than expected without the hope that income was deferred and thus will be higher than otherwise expected in 2017. We will soon release a special report on April income tax returns.

General Sales Tax

State sales tax collections in the October-December quarter grew 1.7 percent from the same period in 2015. Inflation-adjusted growth was 0.1 percent. Sales tax collections have seen continuous growth since the first quarter of 2010, with an average quarterly growth of 4.3 percent in nominal terms. The growth, however, was substantially weaker throughout calendar year 2016, at an average quarterly growth of 1.9 percent.

Sales tax collections grew in all regions but the Far West and Southwest, where collections declined 2.3 and 0.5 percent, respectively compared to the same quarter in 2015. The Southeast region had the largest growth at 6.1 percent, while the Plains region had the weakest growth at 0.3 percent.

Among individual states, thirty-one states reported growth in sales tax collections in the fourth quarter of 2016, while fourteen states reported declines. Four of those fourteen states reporting declines are oil- and mineral-dependent states, which continue facing fiscal challenges caused by the dramatic declines in oil prices in late 2015 and early 2016.

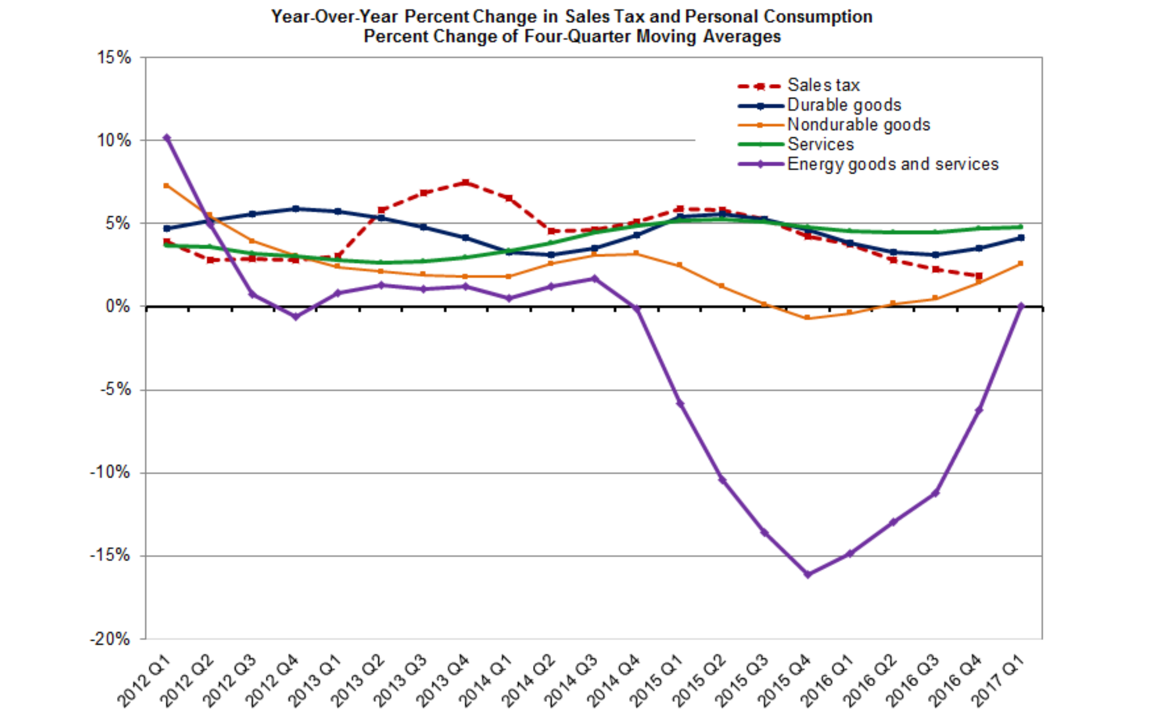
Overall, the average growth rate in sales tax collections is low by historical standards. Many consumers are more cautious in their discretionary spending in the post-Great Recession period and have had little wage growth to support spending growth.

The weakness in sales tax collections is at least partially attributable to tax dollars owed but not collected for online sales and also due to closures of many department and other apparel stores throughout the country, particularly in the Rust Belt states. More and more consumers are shopping online, whether to avoid the extra tax or simply because of the convenience. Addressing the online sales tax loophole has been an ongoing debate in the states and some states have adopted measures such as nexus or “Amazon” laws to address the issue. In addition, states often have negotiated agreements with online retailers to encourage collection of tax.

In calendar year 2017 so far, eleven states have joined other states that already collect taxes on sales by online retail giant Amazon.com LLC or its subsidiaries, raising the number to forty-two out of forty-five states that impose a general sales tax.[8] (Amazon may or may not collect tax for sales on the Amazon site by non-Amazon vendors, depending on specific instructions provided by the vendors.) Amazon has started collecting sales taxes for items shipped to the following states: Iowa (January 1, 2017); Louisiana (January 1, 2017); Mississippi (February 1, 2017); Missouri (February 1, 2017); Nebraska (January 1, 2017); Oklahoma (March 1, 2017); Rhode Island (February 1, 2017); South Dakota (February 1, 2017); Utah (January 1, 2017); Vermont (February 1, 2017); and Wyoming (March 1, 2017). These states should expect to see additional sales tax collections starting in the April-June quarter of 2017. Agreements and laws that require this will certainly help to narrow the online sales tax loophole. However, state efforts alone have had limited effectiveness and Amazon is not the only online retailer. Therefore, it may not be possible to fully stem online revenue losses without congressional action.

Figure 5 shows weak sales-tax growth and a slow recovery for energy. Figure 5 displays year-over-year percent change in nominal personal consumption expenditures for durable goods, nondurable goods, and services — factors related to sales tax revenues. Figure 5 also shows the year-over-year percent change in nominal sales tax revenue collections. In addition, we show year-over-year percent change in the consumption of energy goods and services.

Figure 5. Slow Recovery in Energy Goods; Continued Weakness in Sales Tax Growth



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis, National Income and Product Accounts, Table 2.3.5.

Growth in the consumption of durable goods, an important element of state sales tax bases, has been relatively volatile in the most recent quarters, trending downward throughout 2015 and early 2016 and upward in the most recent quarter. Nondurable consumption spending declined in the fourth quarter of 2015 and first quarter of 2016 but has resumed growth since then. The decline in nondurable goods is attributable to the declines in gasoline and other energy goods consumption, which was driven downward due to steep declines in oil and gas prices. As shown in Figure 5, consumption of energy goods and services declined dramatically since the last quarter of 2014, which led to weakness in sales tax revenue collections throughout 2015 and 2016. There was an upward spike in gasoline and other energy goods consumption in the first quarter of 2017. We expect to see further rebounding, driven by the Trump administration's general support for more pipelines and less regulatory burdens on oil industry. President Trump's most recent withdrawal from the

Paris climate accord is broadly supported by the oil industry and would likely lead to some growth in the oil industry.

Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits and in the timing of tax payments. Many states collect little revenue from corporate taxes and can experience large fluctuations in percentage terms with little budgetary impact. There is often significant variation in states' gains or losses for this tax.

Corporate income tax revenue declined 2.5 percent in the fourth quarter of 2016 compared to a year earlier, marking the fifth consecutive quarterly decline. Declines were widespread. Among forty-six states that have a corporate income tax, twenty-five states reported declines in the fourth quarter of 2016. Corporate income tax collections declined in all regions but the Mid-Atlantic and Far West, where collections grew 4.2 and 0.5 percent, respectively. The Southwest and Plains regions had the largest decline at 21.3 and 15.0 percent, respectively.

Motor Fuel Sales Tax

Motor fuel sales tax collections in the fourth quarter of 2016 increased by 0.9 percent from the same period in 2015. Motor fuel sales tax collections have fluctuated greatly in the post-Great Recession period. Economic growth, changing gas prices, general increases in the fuel-efficiency of vehicles, and changing driving habits of Americans all affect gasoline consumption and motor fuel taxes. Changes in state motor fuel rates also affect tax collections.

Motor fuel sales tax collections declined in the Far West and New England regions, at 5.0 and 0.2 percent, respectively, in the fourth quarter of 2016 compared to the same quarter in 2015. The rest of the regions reported growth. The Rocky Mountain region had the largest increase at 9.2 percent, followed by the Southwest region at 3.5 percent. Seventeen states reported declines in motor fuel sales tax collections in the fourth quarter of 2016.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes. In Table 10, we show growth rates for smaller taxes, by collecting year-over-year growth rates of the four-quarter average of inflation-adjusted revenue for the nation as a whole. In the fourth quarter of 2016, states collected $48.2 billion from smaller tax sources, which comprised 22 percent of total state tax collections.

Revenues from smaller tax sources showed a mixed picture in the fourth quarter of 2016. Inflation-adjusted state property taxes, a small revenue source for states, increased by 1.6 percent. After six consecutive quarterly declines, collections from tobacco product sales finally resumed growth in 2016, at 1.2 percent in the fourth quarter of 2016. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 0.1 and 2.2 percent, respectively, in the fourth quarter of 2016. Revenues from all other smaller tax sources declined 0.7 percent.

Underlying Reasons for Tax Revenue Trends

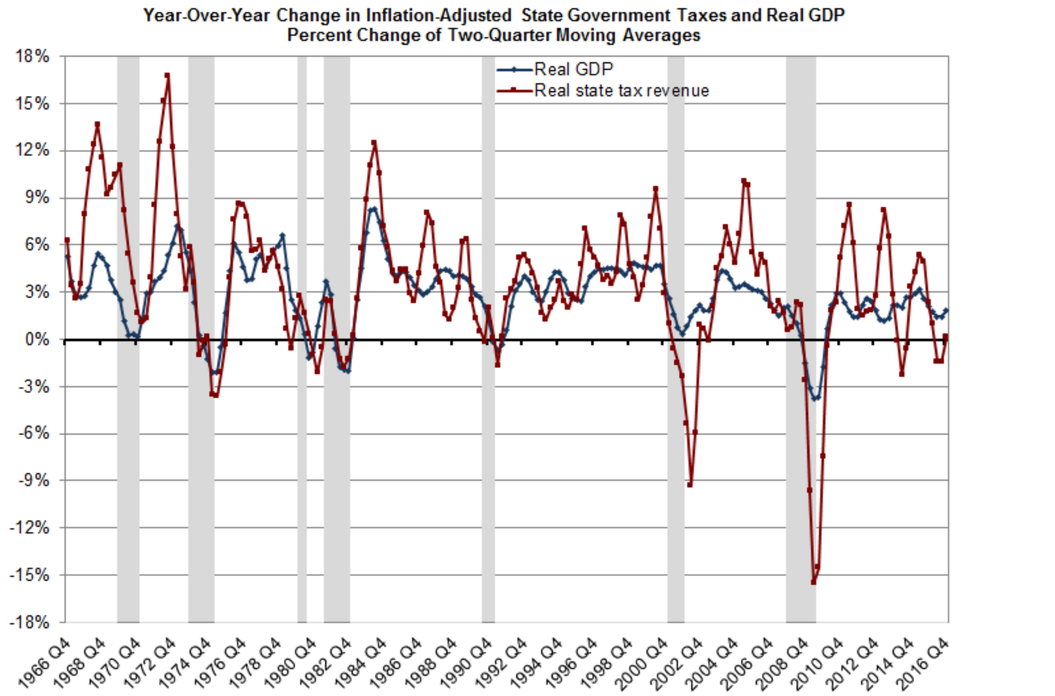
State revenue changes result from three kinds of underlying forces: state-level changes in the economy (which often differ from national trends), the different ways in which economic changes affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

Economic Changes

Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income goes up, the sales tax generates more revenue when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly, and when it declines, tax revenue tends to decline. Figure 6 shows year-over-year growth for two-quarter moving averages in real state tax revenue and in real gross domestic product (GDP), to smooth short-term fluctuations and illustrate the interplay between the economy and state revenues. Tax revenue is usually related to economic growth. As shown in Figure 6, real state tax revenue declined for two consecutive quarters in early 2014, and resumed growth afterwards. Growth in real state tax revenues was downward since the second quarter of 2015 and showed declines in the second and third quarters of 2016. Real state tax revenues resumed growth in the final quarter of calendar year 2016, at 0.2 percent. Real GDP showed uninterrupted growth since 2010 and grew 1.8 percent in the fourth quarter of 2016. Overall, growth was also downward for the real GDP since the second quarter of 2015 and until the last quarter of 2016.

Yet, volatility in tax revenue is not fully explained by changes in real GDP, a broad measure of the economy. In 2009 and 2010, state revenue declines were often much larger than the quarterly reductions in real GDP. Throughout 2011, state tax revenue has risen significantly while the overall economy has been growing at a relatively slow pace. In the most recent years, state tax revenues have become even more volatile compared to the general economy. Overall, the growth has been downward both for real GDP and real state tax revenue since the second quarter of 2015, but there was a spike in the last quarter of 2016. Early data indicate further growth in real GDP at 2.0 percent in the first quarter of 2017.

Figure 6. State Tax Revenue Is More Volatile Than the Economy



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).
Notes: (1) Percentage change of two-quarter moving averages; (2) No legislative adjustments; (3) Recession periods are shaded.

Figure 7. Overall Growth in Employment but Declines in Seven States

Percent Change in Nonfarm Employment, January-March 2017 vs. January-March 2016

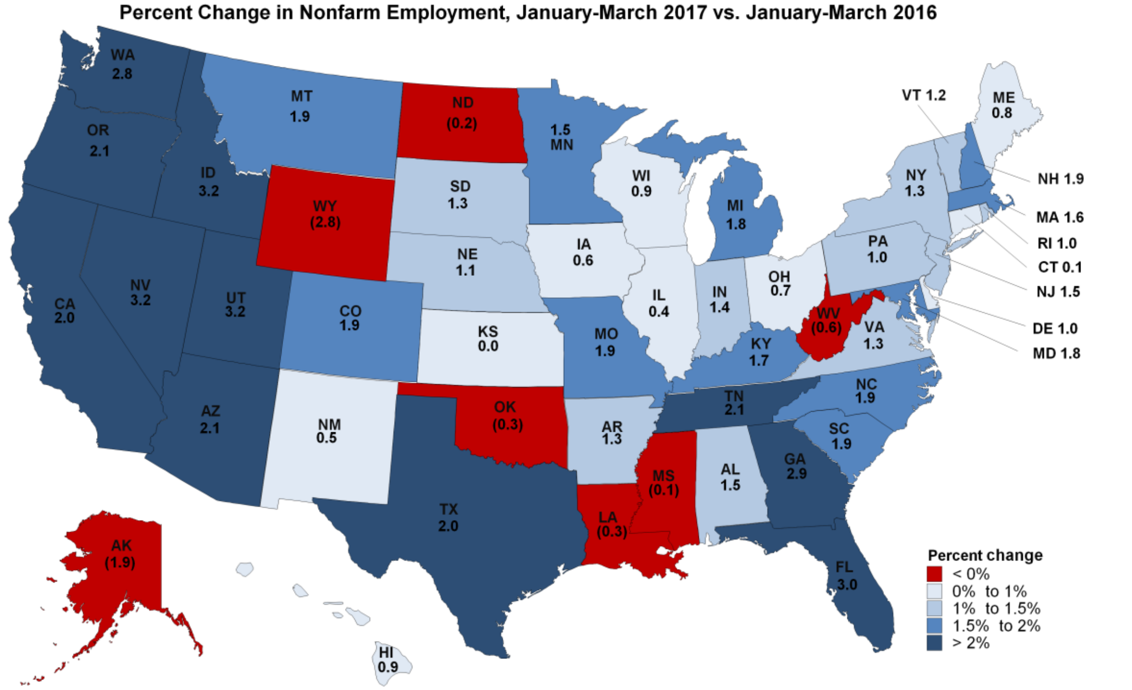


Figure 7 shows year-over-year employment growth in the first quarter of 2017 compared to the same quarter in 2016. For the nation as a whole, employment grew 1.6 percent in the first quarter of 2017. On a year-over-year basis, employment grew in forty-three states. Seven states — Alaska, Louisiana, Mississippi, North Dakota, Oklahoma, West Virginia, and Wyoming — reported declines. The employment declines in these states are partially attributable to the large drop in oil prices as they are all highly reliant on the oil industry, with the exception of Mississippi. Wyoming had the largest declines at 2.8 percent, followed by Alaska at 1.9 percent.

Tax Law Changes Affecting the Fourth Quarter of 2016

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the October-December 2016 quarter, enacted tax increases and decreases produced an estimated gain of $197 million compared to the same period in 2015.[9] Tax changes decreased personal income tax by approximately $507 million, increased sales tax by $466 million, and decreased corporate income taxes by $75 million. Enacted tax changes also increased motor fuel taxes by $64 million, cigarette taxes by $218 million, and some other taxes by $25 million. Below, we discuss some of the major enacted tax changes and their expected impact on tax revenues for fiscal 2017.

Fifteen states enacted personal income tax decreases, and two enacted tax increases. The largest decrease was in Ohio due to a phase-in of an across-the-board income tax reduction of 6.3 percent. Ohio also expanded its earned income tax credit and personal exemptions, and increased the small business tax deduction for filers reporting business income under the personal income tax. These changes are estimated to result in a $1.1 billion reduction in income tax collections in fiscal year 2017.

In North Carolina, legislators increased the standard deduction for the 2016 tax year, and the flat income tax rate will fall from 5.75 percent to 5.499 percent in the 2017 tax year under previously enacted legislation. These changes are estimated to result in a $0.5 billion reduction in fiscal year 2017. Massachusetts and Maine also enacted income tax changes that would reduce income tax collections by $226 million and $175 million, respectively, in fiscal year 2017.

Eleven states enacted sales tax decreases and eight states enacted increases. The most noticeable sales tax changes are in Louisiana, where legislators increased the sales tax rate by 1 percentage point and eliminated several exemptions. These changes are estimated to increase sales tax revenues by $1.2 billion. Other noticeable sales tax changes are in Connecticut, Maine, North Carolina, Pennsylvania, and South Dakota, where projected increases range between $102 million and $276 million. Pennsylvania expanded the sales and use tax to include digital downloads. South Dakota increased the sales and use tax rate by 0.5 percent. Connecticut, Maine, and North Carolina adopted various legislated sales tax changes.

Twelve states enacted corporate income tax decreases and three states enacted increases. The largest corporate income tax changes are in California and North Carolina, with projected decreases of $280 and $270 million, respectively. In California, the governor signed a restructured Managed Care Organization tax package, which is estimated to reduce corporate income taxes. In North Carolina, state officials cut the corporate income tax rate.

Four states — Louisiana, Ohio, Pennsylvania, and West Virginia — enacted cigarette tax increases. The largest legislated cigarette tax hikes are in Pennsylvania and Ohio, where enacted tax changes are projected to increase cigarette tax collections by $496 million and $170 million, respectively, in fiscal year 2017.

Seven states enacted motor fuel tax increases, while Ohio enacted decreases. The most noticeable legislated changes were in Michigan and Washington, with an expected net increase of $317 million and $170 million, respectively.

Other major tax changes include reinstatement of the auto rental excise tax and an increase in premium insurance tax to health maintenance organizations in Louisiana, with a projected net increase of $258 million in fiscal year 2017. Officials in Michigan increased the vehicle registration tax by 20 percent with a projected net increase of $148 million in fiscal 2017. Officials in Pennsylvania enacted several measures, including increasing the bank share tax rates and the tax rate on casino table games, with the projected net tax revenue gain of $114 million in fiscal 2017.

Overall, more states enacted significant tax changes for fiscal years 2016 and 2017 than for the previous two fiscal years. The net enacted tax changes increase tax revenues in fiscal years 2016 and 2017, while the net enacted tax changes reduced revenue for fiscal years 2014 and 2015.

The Outlook for the Remainder of State Fiscal Year 2017

Through the first two quarters of fiscal 2017, states collected $438.6 billion in total tax revenues, a gain of 1.6 percent from $431.8 billion in the same period of fiscal 2016, according to Census data (see Table 11 and Table 12). The personal income tax and sales tax both showed growth at 1.4 and 1.9 percent, respectively in the first two quarters of fiscal 2017 compared to the same period of 2016, while corporate income tax decreased by 6.6 percent.

Regions outside the Southwest and Plains had growth in overall tax collections in the first two quarters of fiscal 2017. The Southeast region had the largest increase at 4.3 percent, followed by the Rocky Mountain region at 2.9 percent. Thirty-four states reported growth in the first half of fiscal 2017, while sixteen states reported declines. The greatest declines were reported in North Dakota and Wyoming at 17.8 and 12.2 percent, respectively.

Thirty-three of forty-five states with broad-based sales tax collections reported growth in sales tax collections, and twenty-nine states reported growth in personal income tax collections, while fourteen states reported declines.

Preliminary data collected by the Rockefeller Institute for the January-March quarter of 2017 show stronger growth in overall state tax revenue collections, mostly attributable to the rather strong growth in personal income tax collections. Total tax collections increased by 3.4 percent in the first quarter compared to the same quarter in 2016. Personal income tax collections grew 8.1 percent and sales tax collections grew 2.6 percent. Corporate income tax collections showed steep declines at 31.1 percent.

Table 13 shows state-by-state changes in major tax revenues for the first quarter of 2017 compared to the same quarter of 2016. According to preliminary data, fourteen states had declines in overall state tax revenue collections, with Mississippi having the largest declines. Ten states reported declines in personal income tax collections and eleven states reported declines in sales tax collections in the first quarter of 2017.

We will provide a complete analysis of tax revenue collections for the first quarter of 2017 after the Census Bureau's data for the quarter are available.

States continue to forecast weak tax revenue growth for fiscal year 2017. The median forecasts of income tax and sales tax growth are 3.6 percent and 3.1 percent, respectively. Revenue forecasts also are weak for 2018. For more complete analysis and data on state-by-state revenue forecasts for fiscal years 2017 and 2018, see our "Weak Revenue Forecasts, Large Uncertainties Ahead" report.[10]

Conclusion

State government tax revenue growth was weak throughout calendar year 2016, reflecting the sharp declines in oil prices and general slow growth in the economy.

Depressed oil prices continue to be a significant drag on the oil- and mineral-dependent states. According to preliminary data, states highly dependent on oil and mineral tax revenue had significant declines in overall state tax revenue collections. In addition, the oil- and mineral-dependent states have seen declines or weakening in employment. These states will continue facing fiscal challenges in the absence of significant policy changes.

State budgets face a major new uncertainty under the new administration: the likelihood of significant federal tax reform. Anticipating new legislation, taxpayers likely changed their behavior in late 2016 in ways that could have profound and hard-to-interpret impacts on state tax revenue. Weakness in April income tax returns no doubt reflects these effects, but also could reflect a weaker economy than economic data otherwise might suggest. Tax reform, if enacted, will have further impacts on state tax revenue. States will need to stay alert in the coming months and do their best to estimate these impacts.

Table 3. Quarterly State Tax Revenue

Year-Over-Year Percent Change

Quarter	Nominal Change	Inflation Rate	Real Change
2016 Q4	1.4	1.6	(0.2)
2016 Q3	1.8	1.3	0.5
2016 Q2	(1.7)	1.2	(2.9)
2016 Q1	1.7	1.2	0.5
2015 Q4	2.5	1.1	1.4
2015 Q3	4.3	1.0	3.3
2015 Q2	7.5	1.1	6.3
2015 Q1	5.4	1.1	4.2
2014 Q4	5.9	1.5	4.3
2014 Q3	4.4	1.9	2.4
2014 Q2	(0.9)	2.0	(2.9)
2014 Q1	0.1	1.7	(1.6)
2013 Q4	3.2	1.6	1.5
2013 Q3	5.7	1.5	4.1
2013 Q2	10.1	1.6	8.5
2013 Q1	9.8	1.8	7.9
2012 Q4	5.6	1.9	3.6
2012 Q3	3.7	1.7	1.9
2012 Q2	3.5	1.7	1.7
2012 Q1	3.9	2.0	1.9
2011 Q4	3.1	1.9	1.1
2011 Q3	5.1	2.3	2.7
2011 Q2	11.2	2.2	8.8
2011 Q1	10.1	1.9	8.1
2010 Q4	8.2	1.8	6.3
2010 Q3	5.7	1.6	4.0
2010 Q2	2.2	1.1	1.0
2010 Q1	3.4	0.5	2.9
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(10.9)	0.3	(11.2)
2009 Q2	(16.2)	1.0	(17.0)
2009 Q1	(12.2)	1.6	(13.5)
2008 Q4	(3.9)	1.9	(5.7)
2008 Q3	2.7	2.1	0.5
2008 Q2	5.3	1.8	3.5
2008 Q1	2.9	1.9	0.9
2007 Q4	3.1	2.5	0.6
2007 Q3	2.9	2.4	0.5
2007 Q2	5.5	2.8	2.7
2007 Q1	5.2	3.0	2.1
2006 Q4	4.2	2.7	1.5
2006 Q3	5.9	3.1	2.7
2006 Q2	10.1	3.3	6.6
2006 Q1	7.1	3.2	3.8
2005 Q4	7.9	3.4	4.4
2005 Q3	10.2	3.3	6.7
2005 Q2	15.9	3.0	12.4
2005 Q1	10.6	3.2	7.2

Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).

Table 4. Quarterly State Tax Revenue By Major Tax

Year-Over-Year Percent Change

Quarter	PIT	CIT	General Sales	Motor Fuel	Total
2016 Q4	0.3	(2.5)	1.7	0.9	1.4
2016 Q3	2.7	(10.4)	2.1	1.0	1.8
2016 Q2	(2.5)	(9.9)	0.8	1.1	(1.7)
2016 Q1	1.8	(6.0)	3.2	2.5	1.7
2015 Q4	5.1	(9.2)	3.1	3.5	2.5
2015 Q3	6.5	0.5	4.4	4.8	4.3
2015 Q2	14.0	7.1	4.3	3.1	7.5
2015 Q1	6.9	3.4	5.2	4.3	5.4
2014 Q4	8.5	9.5	7.3	2.4	5.9
2014 Q3	4.2	7.7	6.8	0.6	4.4
2014 Q2	(6.5)	(1.3)	4.6	4.0	(0.9)
2014 Q1	(1.0)	8.2	1.9	2.8	0.1
2013 Q4	0.7	2.8	5.2	3.5	3.2
2013 Q3	5.5	2.0	6.7	2.9	5.7
2013 Q2	18.5	10.8	12.0	2.1	10.1
2013 Q1	18.1	9.4	5.6	(1.4)	9.8
2012 Q4	10.6	2.9	2.7	1.3	5.6
2012 Q3	5.3	8.5	2.0	2.1	3.7
2012 Q2	5.7	(1.9)	1.7	1.7	3.5
2012 Q1	4.4	3.6	5.0	1.0	3.9
2011 Q4	2.9	(3.2)	2.9	0.7	3.1
2011 Q3	9.2	0.9	1.7	(0.2)	5.1
2011 Q2	15.3	16.6	6.1	7.4	11.2
2011 Q1	12.3	3.7	6.4	13.3	10.1
2010 Q4	10.8	11.9	5.5	11.8	8.2
2010 Q3	4.5	0.6	4.7	10.7	5.7
2010 Q2	1.5	(19.0)	5.7	4.1	2.2
2010 Q1	3.8	0.8	0.1	(0.1)	3.4
2009 Q4	(3.8)	1.0	(4.8)	(1.5)	(3.1)
2009 Q3	(11.4)	(21.3)	(10.1)	2.3	(10.9)
2009 Q2	(27.3)	3.0	(9.4)	(1.5)	(16.2)
2009 Q1	(18.8)	(20.0)	(8.4)	(3.6)	(12.2)
2008 Q4	(1.6)	(23.1)	(5.3)	(5.0)	(3.9)
2008 Q3	0.6	(13.2)	4.7	(5.0)	2.7
2008 Q2	7.6	(7.0)	1.0	(3.1)	5.3
2008 Q1	5.0	(1.7)	0.7	1.1	2.9
2007 Q4	2.3	(14.5)	4.0	1.8	3.1
2007 Q3	6.4	(4.3)	(0.7)	1.9	2.9
2007 Q2	9.2	1.7	3.5	0.2	5.5
2007 Q1	8.5	14.8	3.1	0.0	5.2
2006 Q4	4.4	12.6	4.7	6.4	4.2
2006 Q3	6.6	17.5	6.7	0.6	5.9
2006 Q2	18.8	1.2	5.2	5.3	10.1
2006 Q1	9.3	9.6	7.0	3.5	7.1
2005 Q4	6.7	33.4	6.4	(0.5)	7.9
2005 Q3	10.2	24.4	8.3	11.4	10.2
2005 Q2	19.7	64.1	9.1	5.3	15.9
2005 Q1	13.1	29.8	7.3	6.3	10.6

Source: U.S. Census Bureau (tax revenue).

Table 5. Quarterly State Tax Revenue, By State										
	October-December 2015 ($ in millions)					October-December 2016 ($ in millions)				
	PIT	CIT	Sales	MFT	Total	PIT	CIT	Sales	MFT	Total
United States	**80,359**	**8,927**	**71,613**	**11,167**	**218,504**	**80,562**	**8,707**	**72,827**	**11,271**	**221,526**
New England	**5,960**	**687**	**3,229**	**463**	**12,767**	**5,990**	**681**	**3,257**	**462**	**12,784**
Connecticut	1,784	92	1,059	130	3,788	1,757	160	1,037	126	3,757
Maine	410	19	333	63	1,034	388	34	359	64	1,047
Massachusetts	3,273	383	1,500	190	6,182	3,344	317	1,525	194	6,230
New Hampshire	6	148	N/A	37	486	8	131	N/A	37	481
Rhode Island	316	17	242	23	699	317	21	243	22	694
Vermont	171	27	94	20	580	175	17	94	19	575
Mid-Atlantic	**17,661**	**2,230**	**9,190**	**1,565**	**38,830**	**17,319**	**2,324**	**9,585**	**1,592**	**39,268**
Delaware	336	90	N/A	31	828	334	42	N/A	32	787
Maryland	1,918	207	1,111	246	4,913	1,900	157	1,150	251	4,737
New Jersey	3,026	508	2,270	135	7,089	3,085	470	2,304	133	7,306
New York	9,787	965	3,253	404	18,074	9,379	1,177	3,518	428	18,265
Pennsylvania	2,594	461	2,554	748	7,926	2,622	477	2,613	748	8,171
Great Lakes	**10,525**	**1,243**	**11,215**	**1,455**	**31,718**	**10,459**	**1,130**	**11,357**	**1,468**	**31,981**
Illinois	3,048	626	2,929	347	9,153	2,948	452	2,914	342	8,846
Indiana	1,233	212	1,796	211	4,143	1,219	199	1,847	217	4,148
Michigan	2,206	159	2,127	193	6,945	2,276	305	2,147	195	7,274
Ohio	2,217	11	3,112	446	7,081	2,094	0	3,157	447	7,223
Wisconsin	1,821	235	1,251	258	4,396	1,923	174	1,293	267	4,490
Plains	**5,986**	**629**	**4,881**	**900**	**16,019**	**5,965**	**535**	**4,896**	**909**	**15,834**
Iowa	949	39	809	180	2,403	954	81	805	191	2,442
Kansas	524	96	812	112	1,802	543	63	781	115	1,763
Minnesota	2,490	351	1,375	234	6,194	2,466	297	1,470	232	6,203
Missouri	1,439	63	864	186	2,956	1,448	48	862	181	2,937
Nebraska	509	73	440	85	1,187	492	44	437	88	1,150
North Dakota	75	(8)	336	52	1,018	63	(4)	274	49	868
South Dakota	N/A	15	245	51	458	N/A	5	268	52	471
Southeast	**13,918**	**1,647**	**16,330**	**3,233**	**44,897**	**14,485**	**1,584**	**17,327**	**3,301**	**46,777**
Alabama	828	92	641	140	2,417	857	76	662	197	2,529
Arkansas	643	81	818	119	2,490	664	85	849	122	2,550
Florida	N/A	466	5,378	935	9,324	N/A	517	5,625	915	9,653
Georgia	2,785	195	1,304	418	5,303	2,903	202	1,387	438	5,563
Kentucky	1,030	138	868	186	3,033	1,068	195	864	194	3,121
Louisiana	762	(45)	747	153	2,267	690	(63)	1,066	162	2,497
Mississippi	462	79	817	105	1,927	465	52	835	111	1,865
North Carolina	2,766	198	1,714	484	6,061	2,861	25	1,914	478	6,371
South Carolina	1,190	58	745	139	2,477	1,352	52	742	142	2,667
Tennessee	13	248	2,006	226	3,294	13	300	2,083	228	3,462
Virginia	3,012	100	970	222	5,051	3,187	117	976	227	5,268
West Virginia	428	38	322	105	1,255	426	26	325	88	1,230
Southwest	**2,215**	**163**	**9,738**	**1,216**	**18,676**	**2,150**	**128**	**9,687**	**1,259**	**18,551**
Arizona	1,063	134	1,521	188	3,563	1,092	110	1,563	192	3,642
New Mexico	377	38	501	60	1,380	344	30	525	61	1,319
Oklahoma	774	(9)	632	111	2,013	714	(12)	608	114	1,938
Texas	N/A	N/A	7,084	857	11,720	N/A	N/A	6,991	891	11,652
Rocky Mountain	**3,006**	**246**	**1,781**	**441**	**6,954**	**3,226**	**231**	**1,812**	**482**	**7,148**
Colorado	1,490	97	700	168	3,061	1,607	101	722	167	3,166
Idaho	377	41	381	89	1,002	419	44	404	93	1,079
Montana	273	33	N/A	62	690	262	30	N/A	64	656
Utah	866	75	470	94	1,701	938	56	489	122	1,803
Wyoming	N/A	N/A	231	29	500	N/A	N/A	198	36	444
Far West	**21,088**	**2,083**	**15,249**	**1,895**	**48,643**	**20,969**	**2,094**	**14,904**	**1,799**	**49,183**
Alaska	N/A	(34)	N/A	14	153	N/A	8	N/A	10	229
California	18,687	1,981	10,111	1,269	37,226	18,544	1,908	9,408	1,225	36,643
Hawaii	498	12	754	20	1,616	511	35	784	20	1,647
Nevada	N/A	N/A	1,054	83	1,946	N/A	N/A	1,141	84	2,067
Oregon	1,903	123	N/A	135	2,610	1,914	143	N/A	138	2,678
Washington	N/A	N/A	3,330	374	5,092	N/A	N/A	3,571	322	5,919

Source: U.S. Census Bureau with Rockefeller Institute adjustments.
Notes: PIT – personal income tax; CIT – corporate income tax; MFT – motor fuel tax; N/A – not applicable.

Table 6. Percent Change in Quarterly State Tax Revenue					
October-December, 2015-2016, Percent Change					
	PIT	CIT	Sales	MFT	Total
United States	**0.3**	**(2.5)**	**1.7**	**0.9**	**1.4**
New England	**0.5**	**(0.9)**	**0.9**	**(0.2)**	**0.1**
Connecticut	(1.5)	73.0	(2.1)	(3.4)	(0.8)
Maine	(5.3)	83.4	7.7	1.8	1.3
Massachusetts	2.2	(17.1)	1.6	2.1	0.8
New Hampshire	47.0	(11.5)	N/A	2.0	(1.1)
Rhode Island	0.2	22.0	0.6	(4.8)	(0.7)
Vermont	2.6	(37.9)	(0.8)	(5.8)	(0.8)
Mid-Atlantic	**(1.9)**	**4.2**	**4.3**	**1.8**	**1.1**
Delaware	(0.5)	(52.7)	N/A	4.0	(4.9)
Maryland	(1.0)	(23.8)	3.4	2.1	(3.6)
New Jersey	1.9	(7.5)	1.5	(1.9)	3.1
New York	(4.2)	22.0	8.1	6.0	1.1
Pennsylvania	1.1	3.6	2.3	(0.0)	3.1
Great Lakes	**(0.6)**	**(9.1)**	**1.3**	**0.9**	**0.8**
Illinois	(3.3)	(27.8)	(0.5)	(1.6)	(3.4)
Indiana	(1.1)	(6.1)	2.8	2.9	0.1
Michigan	3.2	92.0	0.9	0.8	4.7
Ohio	(5.6)	(97.8)	1.4	0.1	2.0
Wisconsin	5.6	(26.1)	3.3	3.8	2.1
Plains	**(0.4)**	**(15.0)**	**0.3**	**1.0**	**(1.2)**
Iowa	0.5	107.8	(0.5)	6.2	1.6
Kansas	3.7	(33.8)	(3.9)	3.0	(2.2)
Minnesota	(1.0)	(15.3)	6.9	(1.0)	0.1
Missouri	0.6	(23.6)	(0.3)	(2.2)	(0.6)
Nebraska	(3.5)	(39.6)	(0.8)	4.1	(3.1)
North Dakota	(16.4)	NM	(18.5)	(6.1)	(14.7)
South Dakota	N/A	(69.5)	9.5	0.8	2.7
Southeast	**4.1**	**(3.8)**	**6.1**	**2.1**	**4.2**
Alabama	3.5	(17.5)	3.3	40.9	4.6
Arkansas	3.2	4.5	3.8	3.0	2.4
Florida	N/A	11.1	4.6	(2.2)	3.5
Georgia	4.2	3.6	6.3	4.7	4.9
Kentucky	3.7	42.0	(0.5)	4.4	2.9
Louisiana	(9.4)	NM	42.8	5.7	10.2
Mississippi	0.7	(34.8)	2.2	5.4	(3.2)
North Carolina	3.4	(87.1)	11.7	(1.3)	5.1
South Carolina	13.6	(11.4)	(0.5)	2.2	7.7
Tennessee	(1.4)	20.9	3.8	0.6	5.1
Virginia	5.8	17.8	0.6	2.0	4.3
West Virginia	(0.3)	(31.4)	0.9	(16.6)	(2.0)
Southwest	**(2.9)**	**(21.3)**	**(0.5)**	**3.5**	**(0.7)**
Arizona	2.7	(18.1)	2.7	2.0	2.2
New Mexico	(8.6)	(20.0)	4.8	2.0	(4.4)
Oklahoma	(7.8)	NM	(3.8)	2.6	(3.7)
Texas	N/A	N/A	(1.3)	4.1	(0.6)
Rocky Mountain	**7.3**	**(5.8)**	**1.7**	**9.2**	**2.8**
Colorado	7.8	4.2	3.1	(0.8)	3.4
Idaho	11.2	7.3	6.3	3.8	7.7
Montana	(3.9)	(9.2)	N/A	4.2	(4.8)
Utah	8.3	(24.5)	4.1	30.3	6.0
Wyoming	N/A	N/A	(14.6)	26.3	(11.3)
Far West	**(0.6)**	**0.5**	**(2.3)**	**(5.0)**	**1.1**
Alaska	N/A	NM	N/A	(30.7)	49.7
California	(0.8)	(3.7)	(7.0)	(3.4)	(1.6)
Hawaii	2.5	191.4	3.9	(1.2)	1.9
Nevada	N/A	N/A	8.3	2.0	6.3
Oregon	0.6	15.8	N/A	2.0	2.6
Washington	N/A	N/A	7.2	(13.9)	16.2

Source: U.S. Census Bureau (tax revenue).
Notes: PIT – personal income tax; CIT – corporate income tax; MFT – motor fuel tax; N/A – not applicable; NM – not meaningful.

Table 7. Personal Income Tax Withholding

Year-Over-Year Percent Change

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
United States	**4.6**	**2.7**	**3.6**	**2.8**	**5.8**
New England	**3.4**	**2.8**	**4.6**	**1.4**	**2.1**
Connecticut	4.1	3.9	4.0	(1.9)	1.5
Maine	(0.0)	(4.1)	(5.9)	(8.8)	3.5
Massachusetts	3.1	3.0	6.0	3.9	2.8
Rhode Island	3.2	3.5	7.9	4.7	3.6
Vermont	8.2	4.7	1.5	3.7	(12.0)
Mid-Atlantic	**4.6**	**0.9**	**0.2**	**3.0**	**5.8**
Delaware	1.2	1.2	1.6	2.7	9.2
Maryland	4.2	(0.6)	8.4	2.0	4.7
New Jersey	7.0	2.5	(9.1)	6.2	10.0
New York	3.7	0.8	0.9	2.5	5.2
Pennsylvania	6.8	1.5	(1.4)	2.7	4.4
Great Lakes	**2.5**	**2.9**	**0.3**	**0.7**	**3.5**
Illinois	(1.6)	1.3	(7.9)	(3.2)	2.2
Indiana	3.0	3.4	4.6	4.6	5.4
Michigan	8.6	5.0	4.9	2.3	3.9
Ohio	0.5	0.5	1.1	(0.8)	3.5
Wisconsin	4.3	4.8	4.7	4.1	3.5
Plains	**3.8**	**1.9**	**5.9**	**2.3**	**4.8**
Iowa	6.1	3.4	4.0	4.8	1.1
Kansas	1.6	2.1	3.5	2.9	3.8
Minnesota	4.2	1.7	9.0	1.3	7.1
Missouri	5.4	3.4	5.5	3.0	4.7
Nebraska	2.9	5.5	6.2	3.4	5.9
North Dakota	(23.4)	(33.8)	(23.4)	(16.9)	(9.9)
Southeast	**5.3**	**3.2**	**3.8**	**4.4**	**5.0**
Alabama	2.7	4.0	2.4	3.9	3.1
Arkansas	(5.8)	5.1	3.6	4.5	4.6
Georgia	8.1	6.0	4.6	5.5	7.3
Kentucky	6.4	4.7	4.9	3.5	2.3
Louisiana	(4.6)	(1.4)	(0.6)	(5.5)	8.8
Mississippi	3.4	3.6	1.6	2.2	1.6
North Carolina	9.1	4.2	3.6	6.4	2.3
South Carolina	8.9	5.8	7.5	6.7	5.1
Virginia	5.3	(0.5)	4.1	4.8	6.7
West Virginia	(2.7)	(2.5)	(1.0)	(0.1)	1.9
Southwest	**0.5**	**(0.9)**	**(1.0)**	**(0.5)**	**6.0**
Arizona	3.8	4.4	5.1	4.0	7.9
New Mexico	2.8	(5.2)	(6.8)	(5.5)	6.7
Oklahoma	(4.7)	(6.3)	(6.4)	(4.1)	3.1
Rocky Mountain	**5.7**	**5.2**	**5.4**	**4.3**	**6.5**
Colorado	4.6	4.9	3.9	3.8	7.4
Idaho	4.7	8.2	7.9	6.4	0.1
Montana	4.6	3.3	3.7	1.2	6.8
Utah	8.9	5.1	7.8	5.3	7.7
Far West	**6.6**	**4.3**	**8.5**	**3.6**	**9.4**
California	6.3	3.8	8.8	3.6	9.6
Hawaii	7.8	4.4	5.9	4.2	12.0
Oregon	8.6	8.5	6.9	3.7	7.2

Source: Individual state data, analysis by the Rockefeller Institute.

Notes: Nine states — Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming — have no broad-based personal income tax and are not shown in this table.

Table 8. Estimated Payments/Declarations						
Year-Over-Year Percent Change						
	Payments for tax year 2015			Payments for tax year 2016		
State	**June-Aug. 2nd payment**	**Sep.-Nov. 3rd payment**	**Dec.-Jan. 4th payment**	**June-Aug. 2nd payment**	**Sep.-Nov. 3rd payment**	**Dec.-Jan. 4th payment**
Average	**15.9**	**11.2**	**5.5**	**(10.2)**	**(3.9)**	**0.5**
Median	**12.8**	**10.1**	**4.4**	**(4.2)**	**(1.3)**	**(2.1)**
Alabama	13.2	2.2	23.3	(3.4)	0.7	(4.7)
Arizona	24.9	13.2	32.4	(8.4)	0.3	1.9
Arkansas	10.0	1.1	2.6	(7.3)	2.5	(2.6)
California	17.6	14.2	8.2	(7.4)	(1.3)	4.3
Colorado	14.5	13.0	13.2	9.6	(0.4)	5.5
Connecticut	3.0	4.1	(9.5)	(10.2)	(9.7)	(8.1)
Delaware	13.9	9.4	11.5	6.3	4.1	(14.2)
Georgia	16.8	11.6	4.7	(3.9)	4.3	(2.1)
Hawaii	145.1	6.6	9.7	(48.3)	(6.8)	66.2
Illinois	13.8	10.8	(18.8)	(38.0)	(37.1)	(4.1)
Indiana	11.7	27.7	32.6	13.5	5.1	(0.7)
Iowa	21.8	8.3	0.2	(1.1)	(2.1)	7.2
Kansas	30.0	29.0	(20.6)	(11.7)	(14.3)	(15.6)
Kentucky	27.9	15.0	24.4	(8.0)	1.5	(3.5)
Louisiana	(2.8)	0.1	(13.3)	(5.0)	(13.9)	3.7
Maine	15.4	26.3	7.2	0.4	3.8	(4.1)
Maryland	7.0	(3.1)	4.0	(3.6)	1.2	5.2
Massachusetts	9.3	6.1	(1.0)	(3.0)	2.0	(8.0)
Michigan	21.7	16.6	9.8	(2.7)	0.9	14.6
Minnesota	14.5	9.3	6.4	(0.2)	(0.9)	(1.5)
Mississippi	2.5	6.6	(4.0)	(5.2)	(4.5)	9.0
Missouri	14.7	16.3	8.3	(1.3)	(4.6)	(4.7)
Montana	31.6	16.6	(7.5)	(10.7)	(8.9)	(2.1)
Nebraska	10.2	6.8	(5.4)	(4.2)	(3.3)	(11.1)
New Jersey	10.9	15.6	4.8	(9.8)	(12.8)	5.3
New York	19.5	11.8	7.5	(13.0)	(5.5)	(2.8)
North Carolina	11.6	12.2	10.0	2.2	0.0	8.5
North Dakota	(4.5)	(19.6)	(32.7)	(37.3)	(34.1)	(22.0)
Ohio	3.3	5.6	(7.5)	(31.2)	(31.5)	(27.3)
Oklahoma	(3.4)	(5.9)	(18.3)	(21.2)	(15.5)	(2.5)
Oregon	14.2	18.7	8.4	(3.4)	26.1	(24.9)
Pennsylvania	17.9	11.6	20.4	(76.7)	(4.0)	(1.3)
Rhode Island	9.1	3.8	(5.0)	(4.3)	5.7	3.3
South Carolina	6.5	6.0	(2.0)	(0.7)	3.9	11.5
Vermont	12.4	15.2	(2.9)	(2.8)	2.5	(5.4)
Virginia	10.0	19.9	(0.7)	(3.1)	(7.6)	7.1
West Virginia	11.0	(5.7)	(6.5)	(16.2)	(13.0)	(11.8)
Wisconsin	5.1	4.9	9.5	(3.8)	(1.3)	3.1

Source: Individual state data, analysis by the Rockefeller Institute.

Table 9. Final Payments					
Year-Over-Year Percent Change					
State	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**
Average	**4.2**	**(5.4)**	**(1.2)**	**(0.4)**	**(1.6)**
Median	**3.8**	**(6.0)**	**(2.8)**	**(4.7)**	**(1.8)**
Alabama	7.9	(4.4)	16.2	5.3	0.6
Arizona	9.2	3.3	(7.7)	(3.5)	1.3
Arkansas	14.8	(6.2)	(8.7)	(14.2)	(14.8)
California	6.5	6.5	5.3	10.8	(1.8)
Colorado	(0.2)	(2.7)	(12.5)	(3.3)	(13.3)
Connecticut	21.5	(6.0)	(12.3)	17.4	11.7
Delaware	65.7	(10.2)	3.4	(4.7)	(3.2)
Georgia	4.3	0.8	(22.2)	13.4	(6.7)
Hawaii	12.0	6.3	12.7	4.3	13.8
Idaho	(8.1)	2.6	15.9	23.0	7.0
Illinois	(43.4)	(39.0)	(30.3)	(44.5)	(8.7)
Indiana	(13.6)	(13.4)	(35.1)	(18.4)	(4.9)
Iowa	(9.8)	(7.9)	(0.3)	(17.6)	25.3
Kansas	3.2	(10.3)	(11.2)	3.1	91.3
Kentucky	NM	(192.1)	NM	(37.7)	NM
Louisiana	0.1	(8.2)	10.5	(9.6)	30.7
Maine	1.0	0.4	7.6	12.2	4.3
Maryland	31.6	(8.8)	16.3	(5.2)	(11.5)
Massachusetts	(24.8)	(9.0)	8.8	(15.3)	(13.0)
Michigan	8.5	(3.8)	(11.8)	(5.4)	(7.3)
Minnesota	(0.4)	4.1	2.8	12.5	(2.7)
Missouri	(5.2)	(5.0)	7.9	(8.3)	3.4
Montana	18.1	(10.3)	(2.8)	1.4	(19.0)
Nebraska	4.8	(4.5)	(3.0)	1.6	(3.5)
New Jersey	10.3	(2.5)	(5.0)	(3.3)	2.8
New Mexico	0.7	(7.0)	(8.1)	(2.2)	(4.1)
New York	5.6	0.3	(11.9)	(5.5)	(9.1)
North Carolina	20.7	1.6	3.9	(16.9)	12.7
North Dakota	(18.8)	(37.5)	(8.3)	(33.7)	(17.1)
Ohio	(26.6)	(37.2)	(15.8)	(24.2)	8.5
Oklahoma	(11.6)	(16.3)	2.8	(29.7)	4.8
Pennsylvania	2.6	(7.7)	(21.8)	(11.4)	0.2
Rhode Island	(17.3)	(10.1)	16.7	30.4	37.5
South Carolina	60.6	12.3	49.5	21.8	(19.6)
Utah	28.6	(3.0)	3.3	14.5	(4.9)
Vermont	12.5	(8.9)	21.0	(6.4)	(13.5)
Virginia	86.3	(5.7)	(18.7)	(90.7)	NM
West Virginia	(5.5)	(17.6)	(4.0)	(28.0)	14.9
Wisconsin	1.4	2.6	15.1	14.2	3.2

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: NM - not meaningful.

Table 10. Percent Change in Inflation Adjusted Other State Taxes					
Quarter	**Property Tax**	**Tobacco Product Sales Tax**	**Alcoholic Beverage Sales Tax**	**Motor Vehicle & Operators License Taxes**	**Other Taxes**
Nominal collections (mlns), last 4 quarters	**$16,040**	**$18,220**	**$6,483**	**$28,154**	**$132,402**
2016 Q4	1.6	1.2	0.1	2.2	(0.7)
2016 Q3	4.2	1.0	0.1	0.5	(1.9)
2016 Q2	3.7	0.5	0.6	2.2	(2.4)
2016 Q1	4.7	1.6	2.4	2.0	(1.6)
2015 Q4	8.6	(0.0)	1.4	2.7	(0.8)
2015 Q3	6.1	(0.9)	1.3	1.5	(0.3)
2015 Q2	5.2	(2.1)	1.6	1.2	(0.2)
2015 Q1	4.3	(3.9)	(0.2)	1.2	0.1
2014 Q4	0.8	(4.6)	1.5	(0.6)	(1.8)
2014 Q3	3.3	(3.6)	1.4	0.7	(1.0)
2014 Q2	5.3	0.7	0.1	1.3	(0.2)
2014 Q1	5.3	2.0	1.5	1.0	(2.5)
2013 Q4	5.0	3.8	(0.6)	0.5	0.9
2013 Q3	3.4	3.7	(2.3)	(0.4)	1.0
2013 Q2	(0.2)	(0.9)	(1.7)	(0.8)	0.9
2013 Q1	(3.2)	(1.5)	(0.0)	0.3	4.4
2012 Q3	(4.8)	(2.5)	2.3	2.1	2.6
2012 Q3	(9.2)	(3.3)	3.5	3.1	3.6
2012 Q2	(10.5)	(2.2)	3.1	3.1	4.6
2012 Q1	(10.7)	(2.5)	0.7	2.1	7.7
2011 Q4	(11.0)	(1.8)	(0.5)	1.8	12.0
2011 Q3	(7.6)	(1.0)	0.5	0.3	12.4
2011 Q2	(3.9)	0.7	1.5	1.5	12.6
2011 Q1	2.4	2.7	3.1	3.3	9.4
2010 Q4	8.1	3.1	3.2	4.0	7.3
2010 Q3	13.3	2.2	3.0	5.6	4.1
2010 Q2	13.4	0.6	2.2	3.9	(2.7)
2010 Q1	9.9	(1.1)	0.8	1.5	(9.6)
2009 Q4	6.1	(1.5)	0.6	0.2	(14.3)
2009 Q3	(0.5)	0.4	0.1	(1.2)	(13.7)
2009 Q2	(2.0)	1.3	(0.1)	(0.9)	(7.0)
2009 Q1	(3.7)	2.6	0.4	(0.4)	3.9
2008 Q4	(2.8)	3.1	0.5	(1.1)	8.2
2008 Q3	1.8	3.5	(0.1)	(0.5)	10.6
2008 Q2	3.4	5.9	0.6	(0.3)	8.5
2008 Q1	4.1	6.2	0.6	(1.0)	3.8
2007 Q4	3.6	6.2	0.6	(0.4)	2.5
2007 Q3	1.6	4.0	1.7	(0.8)	(0.2)
2007 Q2	(0.1)	0.6	1.5	(0.8)	(1.2)
2007 Q1	1.8	1.7	0.7	0.6	(0.9)
2006 Q4	0.3	2.8	1.2	1.1	(0.2)
2006 Q3	(0.2)	5.5	1.3	1.0	2.1
2006 Q2	(0.0)	9.1	1.3	0.8	4.3
2006 Q1	0.9	7.0	2.5	0.2	5.3
2005 Q4	2.0	5.5	1.7	0.4	7.2
2005 Q3	3.5	4.3	(0.1)	2.0	6.4
2005 Q2	3.6	2.2	(0.5)	2.8	5.0
2005 Q1	1.8	3.0	(2.3)	3.7	5.8

Source: U.S. Census Bureau (tax revenue).

Table 11. State Tax Revenue, State FYTD 2016 and State FYTD 2017										
	State FYTD 2016 ($ in millions)					State FYTD 2017 ($ in millions)				
	PIT	CIT	Sales	MFT	Total	PIT	CIT	Sales	MFT	Total
United States	**156,317**	**18,590**	**141,244**	**22,448**	**431,767**	**158,576**	**17,370**	**143,902**	**22,668**	**438,575**
New England	**11,238**	**1,455**	**6,207**	**897**	**24,424**	**11,387**	**1,593**	**6,296**	**901**	**24,767**
Connecticut	2,857	190	1,715	218	6,140	2,840	299	1,680	212	6,137
Maine	796	43	727	131	2,097	762	78	786	133	2,161
Massachusetts	6,597	841	3,066	389	12,554	6,786	846	3,124	396	12,800
New Hampshire	23	280	N/A	73	984	24	288	N/A	74	1,003
Rhode Island	621	47	510	45	1,572	629	45	517	46	1,591
Vermont	343	53	190	40	1,077	345	36	189	40	1,076
Mid-Atlantic	**34,940**	**4,608**	**17,579**	**3,078**	**77,233**	**34,575**	**4,373**	**18,089**	**3,119**	**77,416**
Delaware	659	150	N/A	59	1,608	670	93	N/A	60	1,583
Maryland	3,490	451	1,868	424	9,304	3,653	366	1,927	421	9,395
New Jersey	5,304	964	3,801	229	12,581	5,425	901	3,873	228	12,813
New York	20,176	2,109	6,750	828	37,539	19,585	2,139	7,060	881	37,244
Pennsylvania	5,310	935	5,160	1,539	16,201	5,243	875	5,229	1,528	16,380
Great Lakes	**21,552**	**2,718**	**22,961**	**3,166**	**64,778**	**21,506**	**2,386**	**23,292**	**3,166**	**66,145**
Illinois	6,108	1,301	5,822	695	18,416	5,841	1,021	5,833	690	17,905
Indiana	2,438	448	3,639	432	8,346	2,533	422	3,744	433	8,468
Michigan	5,213	500	5,231	638	16,199	5,390	573	5,290	643	17,806
Ohio	4,389	13	6,155	951	14,093	4,178	1	6,261	948	14,055
Wisconsin	3,404	456	2,114	449	7,724	3,563	370	2,163	452	7,910
Plains	**11,668**	**1,360**	**9,494**	**1,708**	**31,009**	**11,937**	**1,025**	**9,554**	**1,721**	**30,803**
Iowa	1,602	105	1,370	245	4,137	1,615	134	1,365	253	4,188
Kansas	1,050	198	1,644	231	3,575	1,095	145	1,597	237	3,532
Minnesota	4,966	682	2,599	477	11,825	5,103	511	2,756	480	11,919
Missouri	2,830	187	1,753	370	5,932	2,931	129	1,768	367	5,984
Nebraska	1,048	153	898	175	2,451	1,058	92	915	181	2,431
North Dakota	172	13	715	108	2,174	134	9	590	100	1,787
South Dakota	N/A	23	514	102	914	N/A	6	564	104	962
Southeast	**27,621**	**3,745**	**32,571**	**6,490**	**88,870**	**28,687**	**3,620**	**34,529**	**6,534**	**92,676**
Alabama	1,642	219	1,271	288	4,761	1,688	127	1,310	295	4,798
Arkansas	1,305	191	1,679	243	4,687	1,348	171	1,701	249	4,732
Florida	N/A	928	10,599	1,887	18,379	N/A	1,028	11,184	1,838	19,093
Georgia	5,430	424	2,658	814	10,539	5,569	412	2,839	883	11,004
Kentucky	2,069	307	1,728	382	5,830	2,158	369	1,759	392	6,015
Louisiana	1,540	(116)	1,498	311	4,621	1,474	9	2,078	320	5,311
Mississippi	886	181	1,553	221	3,598	881	146	1,575	225	3,567
North Carolina	5,474	490	3,589	995	12,153	5,672	245	3,874	980	12,705
South Carolina	2,370	156	1,481	287	5,030	2,719	115	1,524	296	5,508
Tennessee	19	597	4,057	459	6,661	17	635	4,221	468	7,005
Virginia	6,018	282	1,824	389	10,083	6,309	309	1,840	394	10,473
West Virginia	869	84	633	215	2,529	851	54	624	194	2,467
Southwest	**4,396**	**437**	**19,726**	**2,464**	**38,728**	**4,284**	**281**	**19,409**	**2,493**	**37,989**
Arizona	2,089	257	3,032	377	6,981	2,164	195	3,129	382	7,164
New Mexico	749	59	998	84	2,662	677	50	996	85	2,512
Oklahoma	1,559	121	1,263	234	4,261	1,443	36	1,206	235	3,980
Texas*	N/A	N/A	14,433	1,769	24,825	N/A	N/A	14,078	1,790	24,332
Rocky Mountain	**5,830**	**585**	**3,839**	**860**	**13,757**	**6,190**	**522**	**3,905**	**944**	**14,156**
Colorado	2,997	260	1,450	345	6,167	3,170	232	1,498	356	6,358
Idaho	711	87	791	172	2,016	785	97	846	188	2,178
Montana	555	70	N/A	85	1,257	550	64	N/A	87	1,295
Utah	1,566	169	1,099	196	3,431	1,686	130	1,138	249	3,547
Wyoming	N/A	N/A	499	62	886	N/A	N/A	423	64	778
Far West	**39,071**	**3,682**	**28,869**	**3,785**	**92,968**	**40,010**	**3,571**	**28,829**	**3,792**	**94,623**
Alaska	N/A	25	N/A	29	397	N/A	(1)	N/A	25	682
California	34,275	3,268	19,072	2,605	70,399	35,151	3,231	18,428	2,507	70,435
Hawaii	1,018	68	1,586	48	3,355	1,020	57	1,585	42	3,355
Nevada	N/A	N/A	1,402	109	2,680	N/A	N/A	1,510	113	2,840
Oregon	3,778	321	N/A	330	5,296	3,839	284	N/A	334	5,406
Washington	N/A	N/A	6,809	665	10,841	N/A	N/A	7,307	771	11,905

Source: U.S. Census Bureau (tax revenue).
Notes: PIT – personal income tax; CIT – corporate income tax; MFT – motor fuel tax; N/A – not applicable.

Table 12. Percent Change in Fiscal Year State Tax Revenue					
State FYTD 2016 vs. State FYTD 2017, Percent Change					
	PIT	CIT	Sales	MFT	Total
United States	**1.4**	**(6.6)**	**1.9**	**1.0**	**1.6**
New England	**1.3**	**9.4**	**1.4**	**0.4**	**1.4**
Connecticut	(0.6)	57.6	(2.0)	(2.9)	(0.1)
Maine	(4.3)	81.3	8.2	1.7	3.0
Massachusetts	2.9	0.6	1.9	1.8	2.0
New Hampshire	6.7	2.9	N/A	0.7	1.9
Rhode Island	1.3	(5.6)	1.5	1.4	1.2
Vermont	0.5	(32.3)	(0.7)	(0.3)	(0.1)
Mid-Atlantic	**(1.0)**	**(5.1)**	**2.9**	**1.3**	**0.2**
Delaware	1.6	(38.3)	N/A	2.3	(1.5)
Maryland	4.6	(18.8)	3.1	(0.6)	1.0
New Jersey	2.3	(6.5)	1.9	(0.2)	1.9
New York	(2.9)	1.4	4.6	6.4	(0.8)
Pennsylvania	(1.3)	(6.5)	1.4	(0.7)	1.1
Great Lakes	**(0.2)**	**(12.2)**	**1.4**	**(0.0)**	**2.1**
Illinois	(4.4)	(21.5)	0.2	(0.8)	(2.8)
Indiana	3.9	(5.9)	2.9	0.3	1.5
Michigan	3.4	14.6	1.1	0.7	9.9
Ohio	(4.8)	(94.4)	1.7	(0.4)	(0.3)
Wisconsin	4.7	(18.9)	2.3	0.7	2.4
Plains	**2.3**	**(24.6)**	**0.6**	**0.8**	**(0.7)**
Iowa	0.8	27.3	(0.4)	3.1	1.2
Kansas	4.3	(26.7)	(2.9)	2.4	(1.2)
Minnesota	2.8	(25.0)	6.0	0.5	0.8
Missouri	3.5	(31.2)	0.8	(0.8)	0.9
Nebraska	1.0	(39.8)	1.9	3.3	(0.8)
North Dakota	(22.3)	(33.5)	(17.5)	(7.4)	(17.8)
South Dakota	N/A	(74.0)	9.7	2.5	5.3
Southeast	**3.9**	**(3.3)**	**6.0**	**0.7**	**4.3**
Alabama	2.8	(42.3)	3.1	2.4	0.8
Arkansas	3.3	(10.6)	1.3	2.5	1.0
Florida	N/A	10.8	5.5	(2.6)	3.9
Georgia	2.6	(2.8)	6.8	8.5	4.4
Kentucky	4.3	20.2	1.8	2.7	3.2
Louisiana	(4.3)	NM	38.7	3.1	14.9
Mississippi	(0.5)	(19.5)	1.4	2.0	(0.8)
North Carolina	3.6	(50.0)	7.9	(1.5)	4.5
South Carolina	14.8	(26.1)	2.9	2.8	9.5
Tennessee	(13.7)	6.2	4.0	1.8	5.2
Virginia	4.8	9.6	0.9	1.4	3.9
West Virginia	(2.0)	(36.4)	(1.4)	(9.8)	(2.5)
Southwest	**(2.6)**	**(35.7)**	**(1.6)**	**1.2**	**(1.9)**
Arizona	3.6	(24.1)	3.2	1.3	2.6
New Mexico	(9.6)	(15.5)	(0.3)	1.6	(5.6)
Oklahoma	(7.4)	(70.1)	(4.5)	0.5	(6.6)
Texas	N/A	N/A	(2.5)	1.2	(2.0)
Rocky Mountain	**6.2**	**(10.8)**	**1.7**	**9.8**	**2.9**
Colorado	5.8	(10.8)	3.3	3.1	3.1
Idaho	10.3	10.7	6.9	9.4	8.1
Montana	(1.0)	(8.4)	N/A	3.2	3.0
Utah	7.6	(22.9)	3.6	26.7	3.4
Wyoming	N/A	N/A	(15.3)	2.8	(12.2)
Far West	**2.4**	**(3.0)**	**(0.1)**	**0.2**	**1.8**
Alaska	N/A	(104.5)	N/A	(13.2)	71.7
California	2.6	(1.1)	(3.4)	(3.8)	0.1
Hawaii	0.2	(16.2)	(0.0)	(12.5)	(0.0)
Nevada	N/A	N/A	7.7	4.4	6.0
Oregon	1.6	(11.5)	N/A	1.2	2.1
Washington	N/A	N/A	7.3	15.9	9.8

Source: U.S. Census Bureau.
Notes: PIT – personal income tax; CIT – corporate income tax; MFT – motor fuel tax; N/A – not applicable; NM - not meaningful.

Table 13. Preliminary Quarterly State Tax Revenue				
January-March 2016 vs 2017, Percent Change				
	PIT	CIT	Sales	Total
United States	**8.1**	**(31.1)**	**2.6**	**3.4**
New England	**1.1**	**(5.6)**	**4.2**	**4.0**
Connecticut	2.2	6.1	7.5	4.1
Maine	(0.3)	(36.9)	3.9	(0.1)
Massachusetts	0.6	(2.0)	2.6	0.6
New Hampshire	(6.3)	(20.3)	N/A	64.5
Rhode Island	(4.8)	(26.1)	1.8	(6.4)
Vermont	13.8	(29.4)	1.4	4.3
Mid-Atlantic	**9.8**	**(40.6)**	**2.4**	**3.4**
Delaware	9.7	136.7	N/A	5.3
Maryland	1.2	(60.8)	3.4	(3.3)
New Jersey	9.1	(41.6)	1.7	5.5
New York	12.7	(50.5)	2.0	4.9
Pennsylvania	4.3	(12.3)	3.1	1.4
Great Lakes	**3.2**	**(73.2)**	**1.7**	**(1.0)**
Illinois	3.0	(65.5)	(2.7)	(4.0)
Indiana	9.1	(12.1)	4.2	3.8
Michigan	3.9	NM	1.2	(5.2)
Ohio	(2.2)	(78.8)	2.5	0.1
Wisconsin	4.1	(1.5)	3.9	2.4
Plains	**10.5**	**(28.2)**	**2.1**	**5.3**
Iowa	38.7	(43.9)	(0.9)	16.3
Kansas	0.8	(0.2)	1.9	3.7
Minnesota	8.9	(26.3)	5.2	4.2
Missouri	4.9	(26.3)	2.6	3.6
Nebraska	3.5	(29.1)	2.1	(0.8)
North Dakota	21.1	(52.3)	(15.8)	9.1
South Dakota	N/A	N/A	9.8	4.4
Southeast	**4.9**	**(29.2)**	**4.5**	**2.1**
Alabama	21.5	(27.3)	0.8	7.6
Arkansas	(2.7)	(61.8)	1.7	(2.3)
Florida	N/A	(29.2)	3.8	1.7
Georgia	8.4	(57.7)	3.6	2.2
Kentucky	(1.7)	(71.6)	(2.1)	(2.3)
Louisiana	(0.8)	(21.8)	45.0	13.3
Mississippi	(3.8)	(60.4)	(0.6)	(9.2)
North Carolina	2.1	61.7	6.2	3.1
South Carolina	4.0	(49.9)	(1.0)	(5.4)
Tennessee	(15.0)	5.6	1.6	1.9
Virginia	7.2	(10.0)	5.5	6.0
West Virginia	4.4	(87.7)	(2.7)	(0.2)
Southwest	**16.7**	**(89.4)**	**2.6**	**2.1**
Arizona	22.7	(101.3)	3.3	1.8
New Mexico	14.1	(51.8)	9.9	(0.5)
Oklahoma	8.9	(100.0)	(2.0)	(1.8)
Texas	N/A	N/A	2.3	2.6
Rocky Mountain	**1.2**	**(30.4)**	**3.4**	**1.8**
Colorado	(3.3)	(65.1)	4.9	(4.1)
Idaho	9.0	40.5	2.5	6.2
Montana	7.1	(71.0)	N/A	11.0
Utah	6.0	162.0	4.6	6.2
Wyoming	N/A	N/A	(4.8)	ND
Far West	**12.3**	**(14.3)**	**1.0**	**7.1**
Alaska	N/A	NM	N/A	344.4
California	12.2	(13.4)	(0.2)	7.0
Hawaii	12.2	NM	(2.0)	1.4
Nevada	N/A	N/A	7.1	8.7
Oregon	13.4	(15.5)	N/A	10.7
Washington	N/A	N/A	5.0	5.0

Source: Individual state data, analysis by Rockefeller Institute.
Notes: PIT – personal income tax; CIT – corporate income tax; N/A - not applicable; ND - no data; NM – not meaningful.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the U.S. Census Bureau in March 2017. We have adjusted Census data for selected states to arrive at figures that we believe are best suited for our purpose of examining underlying economic and fiscal conditions. In this section we explain how and why we have adjusted Census Bureau data, and the consequences of these adjustments.

The Census Bureau and the Rockefeller Institute engage in two related efforts to gather data on state tax collections, and we communicate frequently in the course of this work. The Census Bureau has a highly rigorous and detailed data collection process that entails a survey of state tax collection officials, coupled with web and telephone follow-up. It is designed to produce, after the close of each quarter, comprehensive tax collection data that, in their final form after revisions, are highly comparable from state to state. These data abstract from the fund structures of individual states (e.g., taxes will be counted regardless of whether they are deposited to the general fund or to a fund dedicated for other purposes such as education, transportation, or the environment).

The Census Bureau's data collection procedure is of high quality, but is labor-intensive and time-consuming. States that do not report on time, or do not report fully, or that have unresolved questions may be included in the Census Bureau data on an estimated basis, in some cases with data imputed by the Census Bureau. These imputations can involve methods such as assuming that collections for a missing state in the current quarter are the same as those for the same state in a previous quarter, or assuming that collections for a tax not yet reported in a given state will have followed the national pattern for that tax. In addition, state accounting and reporting for taxes can change from one quarter to another, complicating the task of reporting taxes on a consistent basis. For these reasons, some of the initial Census Bureau data for a quarter may reflect estimated amounts or amounts with unresolved questions, and will be revised in subsequent quarters when more data are available. As a result, the historical data from the Census Bureau are comprehensive and quite comparable across states, but on occasion amounts reported for the most recent quarter may not reflect all important data for that quarter.

The Rockefeller Institute also collects data on tax revenue, but in a different way and for different reasons. Because historical Census Bureau data are comprehensive and quite comparable, we rely almost exclusively on Census data for our historical analysis. Furthermore, in recent years Census Bureau data have become timely and we use them for the most recent quarter as well, although we supplement Census data for certain purposes. We collect our own data on a monthly basis so that we can get a more current read on the economy and state finances. In addition, we collect certain information that is not available in the Census Data — figures on withholding tax collections, payments of estimated income tax, final payments, and refunds, all of which are important to understanding income tax collections more fully. Our main uses for the data we collect are to report on state fiscal conditions more frequently, and to report on the income tax in more detail.

Ordinarily, there are not major differences between our data for a quarter and the Census data. The Census Bureau often reports imputed data for the states for which it does not receive data on a timely manner. We make adjustments to the imputed data based upon data received directly from the states. We also make adjustments to any other questionable data for the current and previous quarters. The Census Bureau's own resources are strained and the Bureau does not necessarily have resources available to examine questionable data. The net impact of these adjustments can be quite substantial.

Endnotes

1 For more discussion of the relationship between property tax and housing prices, see Lucy Dadayan, *The Impact of the Great Recession on Local Property Taxes* (Albany: The Nelson A. Rockefeller Institute of Government, July 2012), http://www.rockinst.org/pdf/government_finance/2012-07-16-Recession_Local_%20Property_Tax.pdf.

2 We have made several adjustments for the October-December quarter as well as some prior quarter tax revenue data reported by the Census Bureau, based on the information and data provided to us directly by the states.

3 See Lucy Dadayan and Donald J. Boyd, “Double, Double, Oil and Trouble,” *By The Numbers Brief*, The Nelson A. Rockefeller Institute of Government, February 2016, http://www.rockinst.org/pdf/government_finance/2016-02-By_Numbers_Brief_No5.pdf.

4 The 2.6 percent calendar year average growth is adjusted for dividends and splits. For more information, see the S&P 500 database available through Yahoo Finance, https://finance.yahoo.com/quote/%5EGSPC/history?p=%5EGSPC.

5 See data that supplement Congressional Budget Office’s January 2017 report *The Budget and Economic Outlook: 2017 to 2027* (https://www.cbo.gov/about/products/budget-economic-data#7). The specific data file is https://www.cbo.gov/sites/default/files/recurringdata/51138-2017-01-revenueprojections.xlsx.

6 “2017 May Revision: Background on Revenue Issues,” Legislative Analyst’s Office website, May 24, 2017, http://www.lao.ca.gov/LAOEconTax/Article/Detail/241.

7 *FY 2018 Enacted Budget Financial Plan* (Albany: New York State Division of the Budget, May 2017): 74, www.budget.ny.gov/pubs/archive/fy18archive/enactedfy18/FY2018EnactedFP.pdf.

8 For the list, see https://www.amazon.com/gp/help/customer/display.html?nodeId=468512.

9 Rockefeller Institute analysis of data from Table A-1, *The Fiscal Survey of States: Fall 2016* (Washington, DC: National Association of State Budget Officers, December 2016): 79-84, http://www.nasbo.org/reports-data/fiscal-survey-of-states.

10 See Lucy Dadayan and Donald J. Boyd, “Weak Revenue Forecasts, Large Uncertainties Ahead,” *By The Numbers Brief*, The Nelson A. Rockefeller Institute of Government, March 2017, http://www.rockinst.org/pdf/government_finance/2017-03-27-By_numbers_brief_no7.pdf.

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 (SUNY), was established in 1981 to bring the resources of the sixty-four-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute Fiscal Studies Program, originally 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 the trends affecting all fifty states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior research scientist, and Donald J. Boyd, director of fiscal studies. Jim Malatras, president of the Institute, Thomas Gais, director, and Patricia Strach, deputy director for research, provided valuable feedback on the report. Michael Cooper, the Rockefeller Institute's director of publications, did the editing of the report. Michele Charbonneau, the Institute's publications assistant, did the layout and design of this report.

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