



State Revenue Report #108
Volatility in State Tax Revenues;
Mounting Fiscal Uncertainties

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Lucy Dadayan and Donald J. Boyd

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Highlights



- State tax revenue grew 3.1 percent in the first quarter of 2017, compared to the same quarter in 2016.

- Personal income tax revenues increased 8.2 percent. The relatively strong growth in personal income tax collections is largely attributable to a strong growth in two states (California and New York), as well as to a shifting of bonus payouts from 2016 to 2017.



- Sales tax revenue increased 2.3 percent and motor fuel tax increased 0.9 percent.

- Corporate income tax revenue declined 26.9 percent, marking the sixth consecutive quarterly decline. The steep declines are mostly attributable to due date changes for returns and final payments from March 15th to April 15th for C-corporations.



- Preliminary figures for the second quarter of 2017 indicate weaker growth of state tax revenues at 2.3 percent, compared to the second quarter in 2016.



- Early data for the second quarter indicate substantial weakness and declines in income tax collections, mostly attributable to declines in final payments.

- Revenue forecasts for 2018 remain relatively weak for both personal income and sales tax collections.

- Oil-dependent states continue to face significant fiscal challenges.

- States face fiscal uncertainty, with federal tax policy still in flux and potential cuts in federal aid to the states on the horizon.

- Hurricanes Irma and Harvey caused significant economic and fiscal damage to Texas and Florida.



Summary

State and local government tax revenues showed relatively strong growth in the first quarter of 2017, compared to the recent past. However, the growth should be viewed with caution as the strong quarter is partially attributable to income tax growth in California and New York, as well as to the shifting of bonus payouts out of 2016 to 2017. The quick changes in revenue growth underline increased volatility and uncertainty in revenue streams. 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 4.2 percent in the first quarter of 2017 compared to a year earlier, which is stronger than the 1.9 percent average growth for the four previous quarters (see [Table 1](#)). (The first 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 and showed solid growth in the first quarter of 2017, at 6.3 percent, compared with a 4.6 percent average in the prior four quarters.
- *State Government Revenue.* Total state government tax revenue from all sources grew 3.1 percent. It is stronger than the growth observed throughout 2016. The quarter's growth was substantially higher than the average annual growth rate of 0.5 percent for the four previous quarters, which has been weighted down by an outright decline in the second quarter of 2016. Preliminary data for the second quarter of 2017 indicate declines in personal income taxes at 0.6 percent. Preliminary data indicate that sales tax grew 3.2 percent and overall tax collections grew 2.3 percent. The Institute has collected on the all-important April tax returns, and these data indicate steep declines in both estimated and final payments. Taken as a whole, the weakness in income tax collections in the final quarter of 2016, the stronger first quarter income tax collections followed by the weaker second quarter income tax revenues may reflect taxpayer gaming of federal tax rates and a shifting of bonus payouts from the last quarter of 2016 to the first quarter of 2017. Moreover, bad April tax returns suggest more gloom for state budgets for the fiscal year 2018. States remain 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 volatility in state tax revenue has been caused by:

- *Substantial weakness in income tax in 2016, followed by stronger growth in the first quarter of 2017. Most of the volatility in income tax revenues was caused by the volatility in estimated payments and final returns.* According to income tax component data collected by the Rockefeller Institute from individual states, estimated payments showed strong growth throughout 2015, but weakness and declines throughout 2016 and in the first two quarters of 2017. Similarly, final

returns showed strong growth throughout 2015 and the first quarter of 2016, followed by substantial declines since then.

- *There has been much volatility in estimated and final payments in the most recent years caused by the volatile stock market and taxpayer gaming in anticipation of Trump-era federal income tax rate cuts.* Estimated and final payments declined substantially in the second quarter of 2016, when tax returns were filed, likely 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 and final payments 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 the second quarter of 2017 indicate declines in both estimated and final payments and only modest growth in overall personal income tax collections. These declines are likely caused by 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 President Trump. 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 2.3 percent in the first quarter of 2017, compared to an average of 2.1 percent in the four previous quarters. Preliminary data for the second quarter of 2017 indicate growth of 3.2 percent. Consumption of durable and nondurable goods figure prominently in many states' sales taxes, and consumers have been tightening their wallets: Year-over-year average annual growth in nominal consumption of durable goods slowed from 5.7 percent in 2015 to 3.7 percent in 2016. Durable goods grew at 3.5 and 4.0 percent, respectively, in the first and second quarters of 2017. Nondurable goods consumption was weak throughout 2015 and 2016, but regained strength in the first and second quarters of 2017. 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 have seen steep declines during and after the Great Recession, and its share of total tax revenues declined substantially, falling from an average of 8.4 percent of total state tax revenues in the 1980s and 6.8 percent in the 1990s to an average of about 5.2 percent in the last five years. Corporate income taxes have declined for six consecutive quarters now. The decline was particularly steep in the first quarter of 2017 at 26.9 percent, which is the largest decline in recent history and is even larger compared to declines observed during the Great Recession. However, the steep decline in corporate income tax revenues in the first quarter of 2017 is largely attributable to timing issue. The Internal Revenue Service changed the income tax return filing due date for returns and final payments from March 15th to April 15th for C-corporations, which is partially the cause of large declines in corporate income tax returns in the first quarter of 2017. Preliminary

data for the second quarter of 2017 suggest corporate income taxes grew substantially, by double digits, mostly attributable to filing due date changes. Fortunately, most states do not rely heavily on corporate income taxes, although any volatility is bad for state fiscal planning purposes.

- *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. While revenues in some oil-dependent states had seen growth in the first and second quarters of 2017, that growth is misleading and reflects an increase from the extremely depressed revenue levels of the previous two years.
- *Hurricanes Harvey and Irma leave Texas and Florida with significant fiscal damages.* Natural disasters can have a long lasting impact on the states, as we have witnessed with the 2005 Hurricane Katrina in Louisiana. It will take time to assess the fiscal and economic damage caused by the recent two hurricanes on the states of Texas and Florida. However, most certainly both states will face fiscal challenges in the coming months or even years.

States have been forecasting weak revenue growth for fiscal years 2017 and 2018. Several states had already reduced their revenue forecasts for fiscal 2017 in the postelection period. We anticipate actual tax revenue collections for fiscal 2017 were short of the forecasts in the typical state. We will release a special report once states have data available on actual revenue collections for fiscal 2017 that ended in June in forty-six states. As for fiscal 2018, revenue forecasts are subject to uncertainty due to factors related to federal tax policy changes, the extent and timing of Federal Reserve interest rate increases, and nonwage income tax recovery, among others. 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 some wealthy 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; substantial increases in the standard deduction; and elimination of the federal deduction for state and local taxes, 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 and some taxpayers will continue gaming nonwage income.

Recent Trends in State and Local Tax Revenues

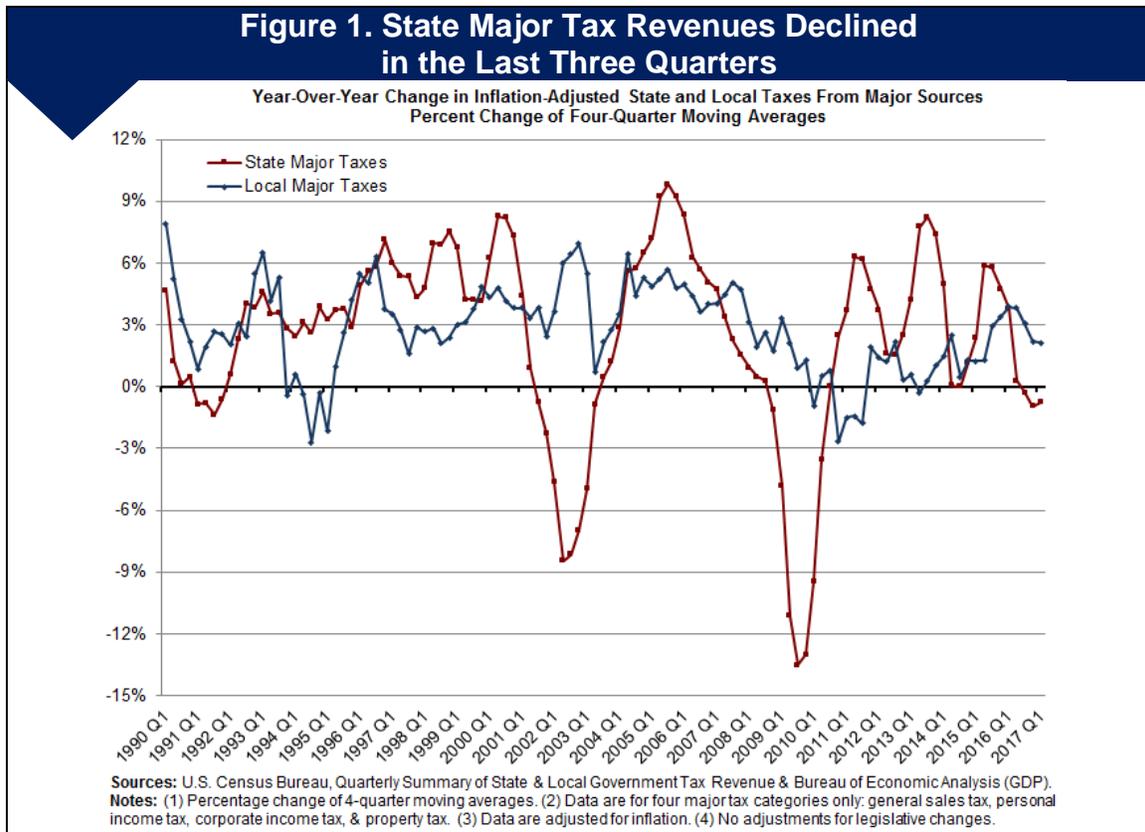
State and local government tax revenues have been growing at an extremely slow pace in the post-Great Recession era, but showed a substantially stronger growth in the first quarter of 2017. For the most part, state governments have been hit harder by slowing tax revenue growth than localities. Some local 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.

In the first quarter of 2017, the growth in state and local government revenue from major taxes was 4.2 percent, which is substantially stronger than the 1.9 percent average growth for the four previous quarters (see [Table 1](#)). The stronger growth in the first quarter of 2017 is attributable to stronger state personal income tax revenue collections and stronger local government property tax revenue collections. The stronger growth in state personal income and local property tax revenues is not an indication of positive outlook. We shed more light by discussing longer-term trends below.

Table 1. State and Local Government Tax Revenue Growth Year-Over-Year Change					
	2016 Q1 (\$ millions)	2017 Q1 (\$ millions)	\$ change	% change	Prior 4 quarters ²
State and Local Government					
Total, major taxes¹	\$317,533	\$330,791	\$13,258	4.2%	1.9%
State Government					
Total state taxes	\$223,527	\$230,381	\$6,853	3.1%	0.5%
Total major taxes	\$164,883	\$170,421	\$5,538	3.4%	0.6%
Sales tax	70,785	72,396	1,611	2.3%	2.1%
Personal income tax	79,771	86,352	6,581	8.2%	0.3%
Corporate income tax	10,736	7,846	(2,890)	-26.9%	-7.1%
Property tax	3,591	3,827	236	6.6%	3.7%
Total, other state taxes	\$58,644	\$59,959	\$1,316	2.2%	0.2%
Local Government					
Total major taxes	\$152,650	\$160,370	\$7,720	5.1%	3.5%
Sales tax	19,059	19,284	225	1.2%	0.7%
Personal income tax	9,024	9,051	27	0.3%	0.1%
Corporate income tax	2,410	2,159	(251)	-10.4%	-7.6%
Property tax	122,157	129,876	7,719	6.3%	4.6%
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 0.8 percent in the last four quarters relative to the year-earlier period, which is the third consecutive quarterly decline. The four-quarter moving average of inflation-adjusted local taxes grew 2.1 percent in the first quarter of 2017. 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 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 weakened substantially in the last four quarters. In fact, state-local income tax collections declined by 0.2 percent, while sales tax collections grew by a modest 0.2 percent in the first quarter of 2017. The four-quarter moving average of inflation-adjusted state-local property taxes grew by 3.1 percent.

Figure 2. Substantial Weakness in Personal Income and Sales Taxes

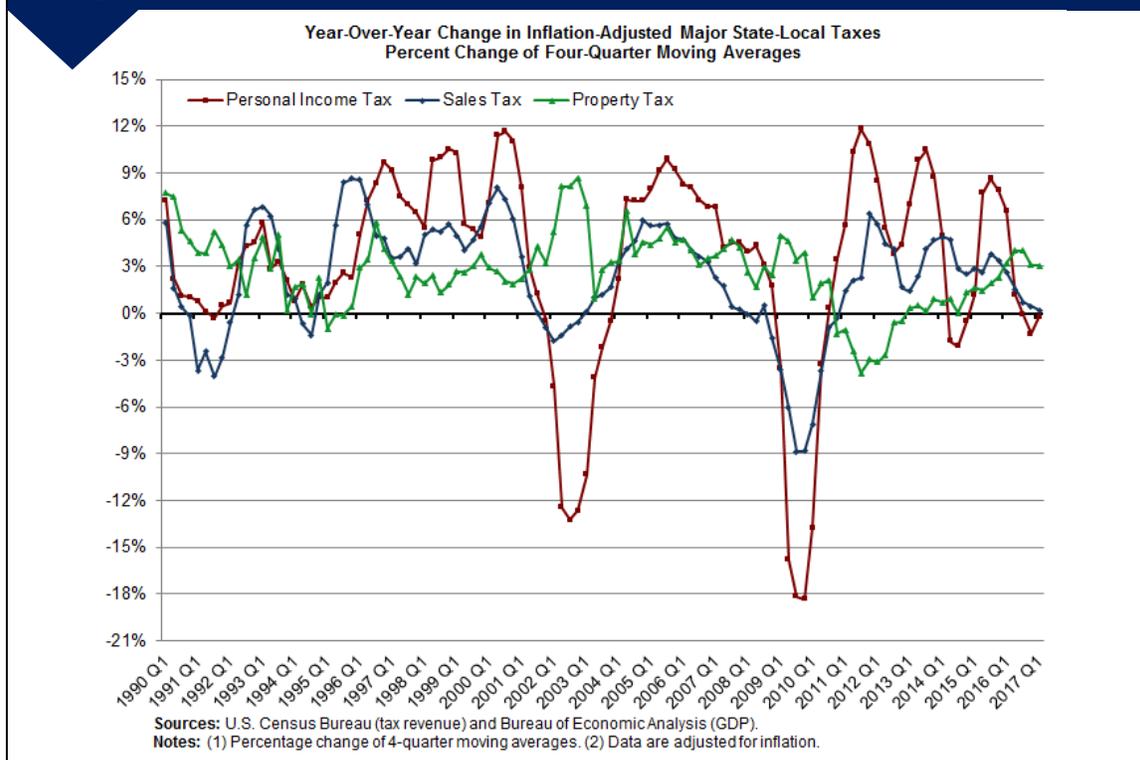
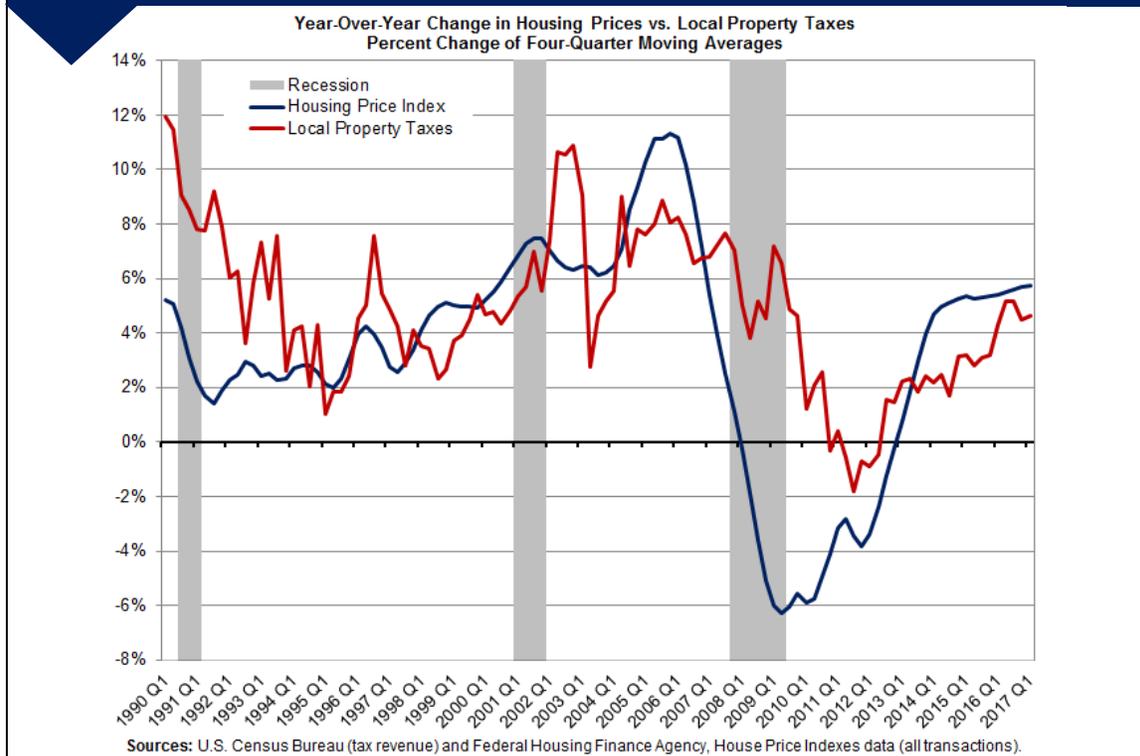


Figure 3 shows that while housing prices have continued to grow, property taxes lag behind, looking at the year-over-year percent change in the four-quarter moving average of the housing price index and local property taxes. Declines in housing prices usually lead to declines in property taxes, with 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 4.6 percent in nominal terms in the first quarter of 2017, compared to the same period in 2016.

Figure 3. Continued Growth in Housing Prices and Local Property Taxes

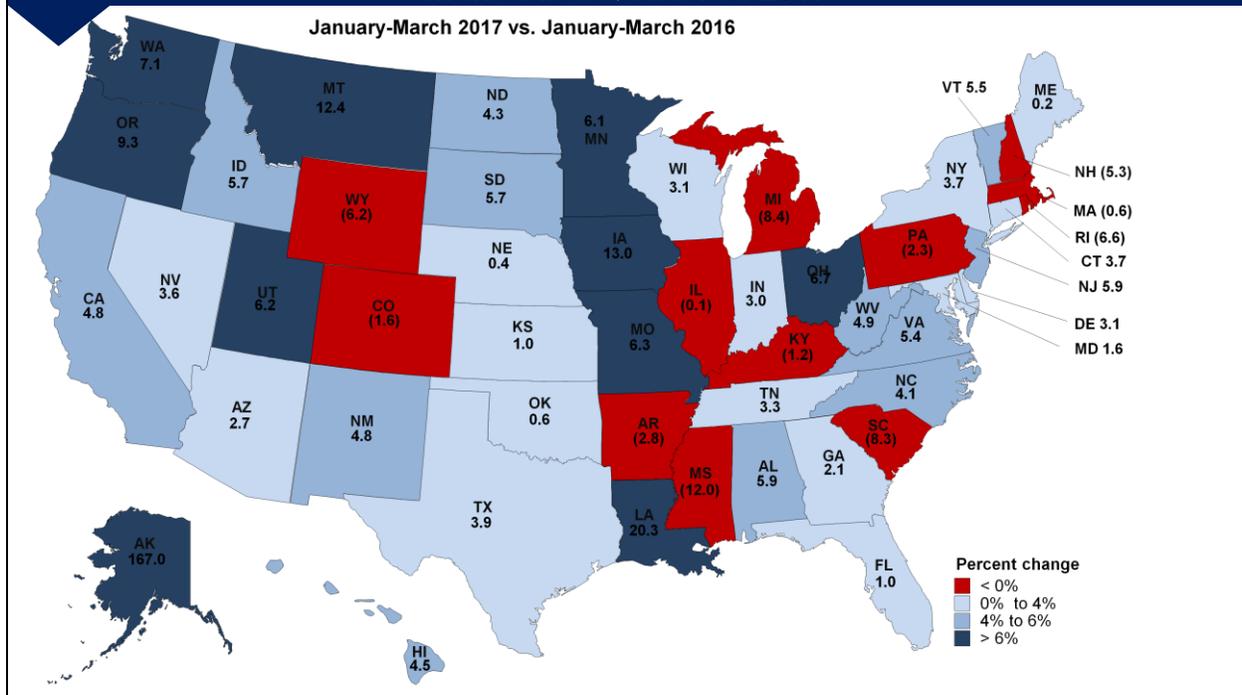


State Tax Revenue

Total state government tax revenue grew 3.1 percent in the first quarter of 2017 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 26.9 percent. Individual income tax collections grew 8.2 percent, while sales tax and motor fuel tax collections grew 2.3 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.

Although most oil-producing states were hardest hit by slowing revenue growth in fiscal year 2017, a few other states had declines as well. In the first quarter of 2017, twelve states had declines in total state tax collections (see [Figure 4](#)). Preliminary data for the second quarter of 2017 indicate that at least another fourteen states faced declines in overall tax revenue collections. These declines left some state budgets with some holes to fix. The result was a record number of eleven states having late budgets for fiscal year 2018. State tax revenue growth is likely to remain slow and highly uncertain throughout the fiscal year 2018.

Figure 4. State Tax Collections Declined in Twelve States in the First Quarter of 2017



Total state tax revenues showed growth across all regions in the first quarter of 2017 (see [Table 5](#) and [Table 6](#)). The Plains region had the strongest growth at 5.7 percent, followed by the Far West region at 5.5 percent. The New England region had the weakest growth at 0.3 percent. Among individual states, Mississippi and Michigan had the largest declines in total tax revenue collections at 12.0 and 8.4 percent, respectively.

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. However, some of the oil- and mineral-dependent states reported growth in the first quarter of 2017, which is misleading as it reflects an increase from the extremely depressed revenue levels of the previous two years. For example, total state tax revenues had the largest growth in Alaska and Louisiana in the first quarter of 2017, at 167.0 and 20.3 percent, respectively. In Alaska, severance taxes constitute the preponderance of Alaska's total tax revenue and 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 8.2 percent in nominal terms and 6.2 percent in inflation-adjusted terms in the first quarter of 2017 compared to the same period in 2016. State personal income tax revenues were weak throughout calendar year 2016 and the recent strength should be viewed with caution as it is largely attributable to

strong personal income tax revenue growth in two states: California and New York. If we exclude both California and New York, personal income tax collections for the rest of the nation grew 5.5 percent. Moreover, it appears that there has been some shifting of bonus payouts out of 2016 to 2017, in anticipation of lower personal income tax rates at the federal level.

Personal income tax collections grew across all regions. The Southwest region had the largest growth at 16.7 percent, while the New England region had the weakest growth at 1.1 percent.

Ten states reported declines in personal income tax collections. The largest declines among broad-based income tax states was in North Dakota at 6.6 percent, which is partially attributable to cuts in income tax rates, but also due to declines in employment in recent months 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 second 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 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	Comments
Withholding	4.9%	2.0%	4.6%	2.6%	3.6%	2.8%	5.8%	6.1%	Largest PIT component; generally reflects the current economy.
Estimated Payments	9.0%	14.3%	3.1%	-7.4%	-3.6%	-0.6%	0.2%	-1.9%	Second quarter payments usually are heavily influenced by the previous year's stock market.
Final Returns	9.7%	16.2%	4.2%	-5.4%	-1.2%	-0.4%	-1.6%	-5.2%	Second quarter is usually the largest collections quarter by far.
Refunds	4.0%	0.1%	9.0%	7.7%	5.1%	25.2%	-2.9%	9.3%	A positive number means that refunds increased; negative means refunds decreased.
PIT Total	5.8%	4.5%	2.6%	-3.4%	2.2%	0.4%	7.4%	0.3%	

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 six 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 2.6, 3.6, and 2.8 percent, respectively. According to preliminary data, withholding resumed stronger growth in the first and second quarters of calendar year 2017 at 5.8 and 6.1 percent, respectively.

All states but North Dakota reported growth in withholding for the second quarter of 2017, with twenty states reporting growth of over 5 percent. North Dakota has seen declines in withholding for nine consecutive quarters, which is driven by tax rate reductions and the negative impact of the oil crash on the state economy and employment. Withholding grew in all regions. The Far West region had the strongest growth at 8.6 percent, while the Southeast had the weakest growth at 4.2 percent.

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 22 and 26 percent, respectively, of total personal income tax revenues in the first and second quarters 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 first and second payments (mostly attributable to the 2017 tax year), the median payment declined 1.7 percent for the first payment but grew 1.8 percent for the second payment compared to the previous year, which is a substantial improvement compared to the median declines of 5.6 and 6.1 percent observed in the first and second payments of tax year 2016, respectively (see [Table 8](#)).

Average growth for the second payment was 1.6 percent for the thirty-eight states for which we have complete data. Most of the growth is attributable to a single state (California), which had the largest growth in estimated payments in terms of dollar value. Without California, average estimated payments for the rest of the states grew 0.5 percent. The growth for the second payment is also partially attributable to a stronger stock market. Still, fourteen states had declines in estimated payments for the second payment, with two states reporting double-digit declines.

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. Final payments accounted roughly for 23 percent of all personal income tax revenues in the second quarter of 2017.

Final payments with personal income tax returns declined 2.2 percent in the median state in the first quarter of 2017, and by 4.4 percent in the second quarter of 2017. [Table 9](#) shows nominal amounts and year-over-year quarterly growth in final payments for the first and second quarters of 2016 and 2017.

Refunds

Personal income tax refunds declined by 2.9 percent in the first quarter of 2017 but grew by 9.3 percent in the second quarter of 2017 compared to the same quarters in 2016. In total, states paid out about \$2.0 billion more in refunds in the second quarter of 2017. Overall, twenty-three states paid out more refunds in the second quarter of 2017 compared to the same quarter of 2016. New York and California alone paid out \$1.1 billion and \$0.6 billion more refunds in the second quarter of 2017. The large refunds in New York are attributable to timing issues, and New York paid out \$1.4 billion less in the first quarter of 2017 compared to the same period in 2016.⁴

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 9.5 percent, as measured by the S&P 500 index.⁵ 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 muddled 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 the [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 have affected 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 late 2017 or even 2018, 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 a strong bounce-back in 2017.⁶ 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 2017.⁷ 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 2017.⁸ 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. Preliminary data indicate that there was a large downward pressure on April tax returns. That is consistent with the idea that taxpayers deferred nonwage income out of 2016 into 2017 and beyond. President Trump has been pushing for substantial reductions in federal tax rates and — if lower tax rates are expected to be enacted and scheduled to take effect on or after January 1, 2018 — then states may end up with another round of income shifting, which would put further pressure on state income and overall tax revenues for fiscal year 2018.

General Sales Tax

State sales tax collections in the January-March quarter grew 2.3 percent from the same period in 2016. Inflation-adjusted growth was 0.3 percent. Sales tax collections have seen continuous growth since the first quarter of 2010, with an average quarterly

growth of 4.1 percent in nominal terms. The growth, however, was substantially weaker throughout calendar year 2016, at an average quarterly growth of 2.1 percent.

Sales tax collections grew in all regions but the Great Lakes and Southwest, where collections declined 1.3 and 0.1 percent, respectively, compared to the same quarter in 2016. The Southeast region had the largest growth at 5.1 percent, while the Far West region had the weakest growth at 1.6 percent.

Among individual states, thirty-five states reported growth in sales tax collections in the first quarter of 2017, while ten states reported declines. Five of those ten 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.

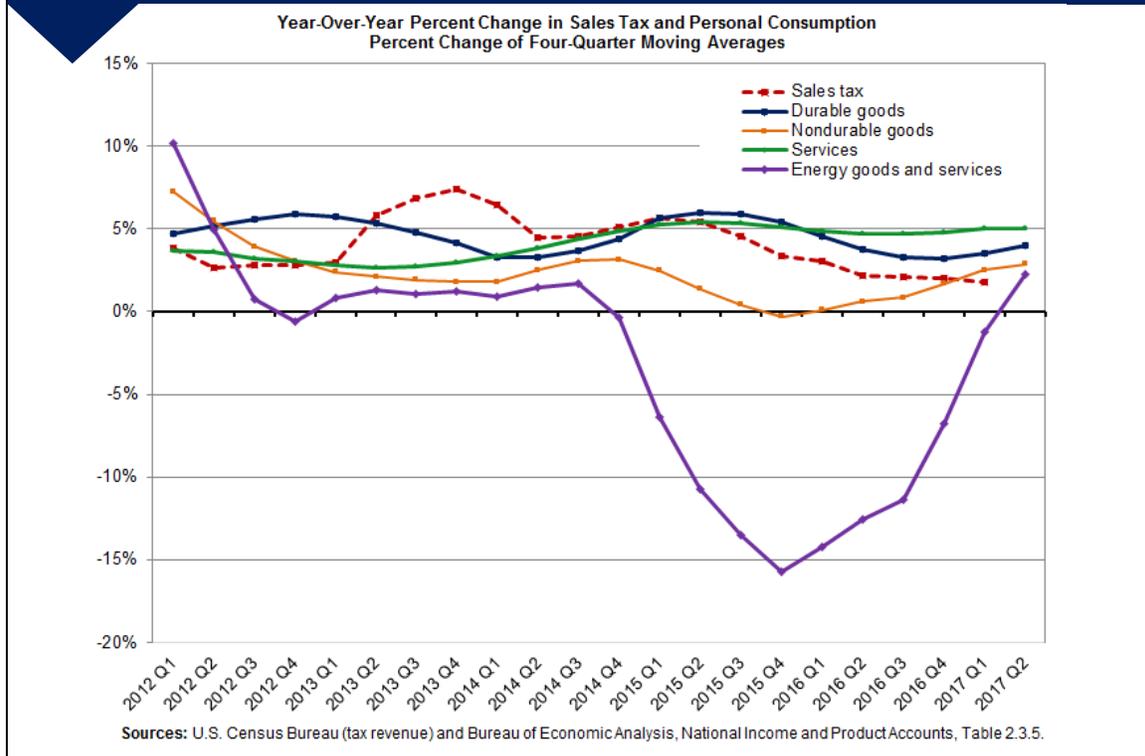
Overall, the average growth rate in sales tax collections is low by historical standards. Many consumers are more cautious in their discretionary spending in the post-Great Recession period and have had little wage growth to support spending growth.

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, fourteen states have joined other states that already collect taxes on sales by online retail giant Amazon.com LLC or its subsidiaries, and currently all forty-five states with broad-based sales tax collections impose a general sales tax.⁹ (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.) The states that made agreements to collect sales taxes on items sold by Amazon would likely see some boost in sales tax collections in the coming quarters. 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 modest recovery for energy goods. [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**



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 2016 and upward in the first half of 2017. Nondurable consumption spending declined in the fourth quarter of 2015 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 and throughout the first quarter of 2017, which led to weakness in sales tax revenue collections throughout 2015 and 2016. Gasoline and other energy goods consumption rebounded in the second quarter of 2017, after ten consecutive quarters of decline. We expect to see further rebounding, driven by the Trump administration’s general support for more pipelines and less regulatory burdens on the oil industry. President Trump’s 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 by a sweeping 26.9 percent in the first quarter of 2017 compared to a year earlier, marking the sixth consecutive quarterly decline. However, the steep decline in corporate income tax revenues in the first quarter of 2017 is largely attributable to timing issue. As mentioned in the [Summary](#) section, the Internal Revenue Service changed the income tax return filing due date for returns and final payments from March 15th to April 15th for C-corporations, which is partially the cause of large declines in corporate income tax returns in the first quarter of 2017. Preliminary data for the second quarter of 2017 suggest corporate income taxes grew substantially, by double digits, mostly attributable to filing due date changes. Fortunately, most states do not rely heavily on corporate income taxes, although any volatility is bad for state fiscal planning purposes.

Motor Fuel Sales Tax

Motor fuel sales tax collections in the first quarter of 2017 increased by 0.9 percent from the same period in 2016. 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.

There were large disparities among the states and regions. Motor fuel sales tax collections declined in the New England, Southeast, Southwest, and Far West regions and grew in the rest of the regions. The largest decline was in the New England region at 11.6 percent, while the largest growth was in the Mid-Atlantic region at 6.1 percent in the first quarter of 2017 compared to the same quarter in 2016. Nineteen states reported declines in motor fuel sales tax collections in the first quarter of 2017.

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 first quarter of 2017, states collected \$52.9 billion from smaller tax sources, which comprised 23 percent of total state tax collections.

Revenues from smaller tax sources showed a mixed picture in the first quarter of 2017. Inflation-adjusted state property taxes, a small revenue source for states, increased by 2.6 percent. After six consecutive quarterly declines, collections from tobacco product sales finally resumed growth in 2016, mostly due to tax rate increases in several states. In the first quarter of 2017, tobacco product sales revenues grew by 1.7 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 0.6 and 2.4 percent, respectively, in the first quarter of 2017. Revenues from all other smaller tax sources declined 2.3 percent, marking the thirteenth consecutive quarter of decline.

Underlying Reasons for Tax Revenue Trends

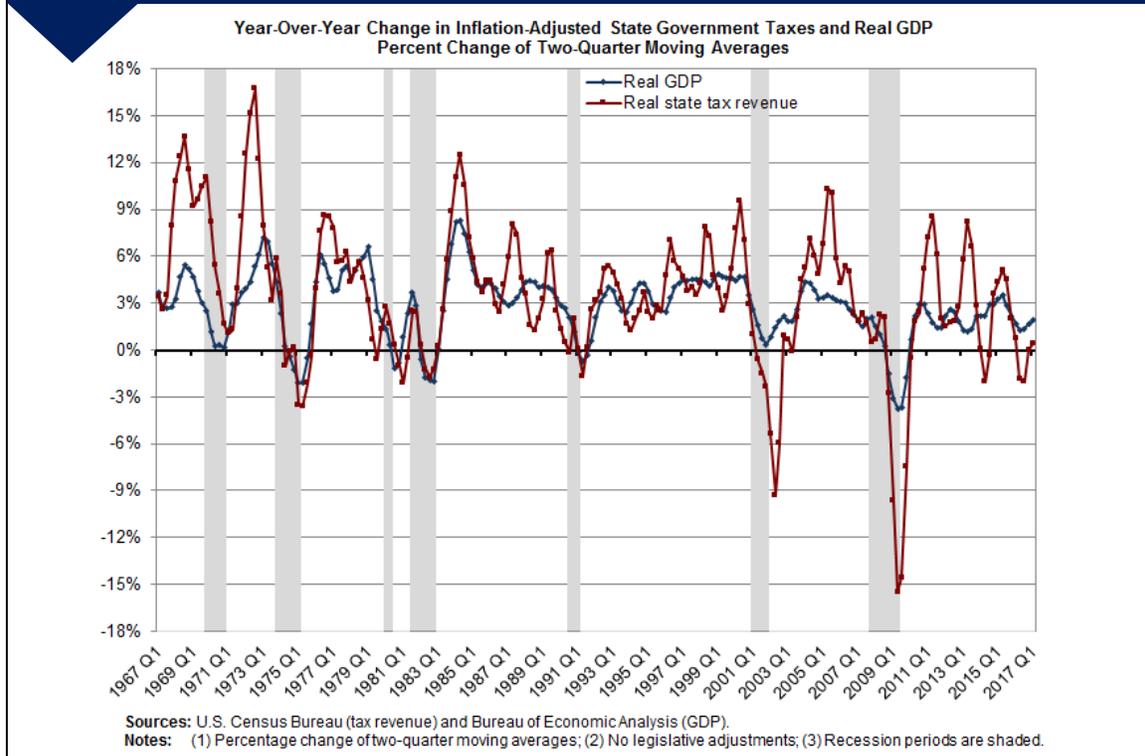
State revenue changes result from three kinds of underlying forces: state-level changes in the economy (which often differ from national trends), the different ways in which economic changes affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent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

Economic Changes

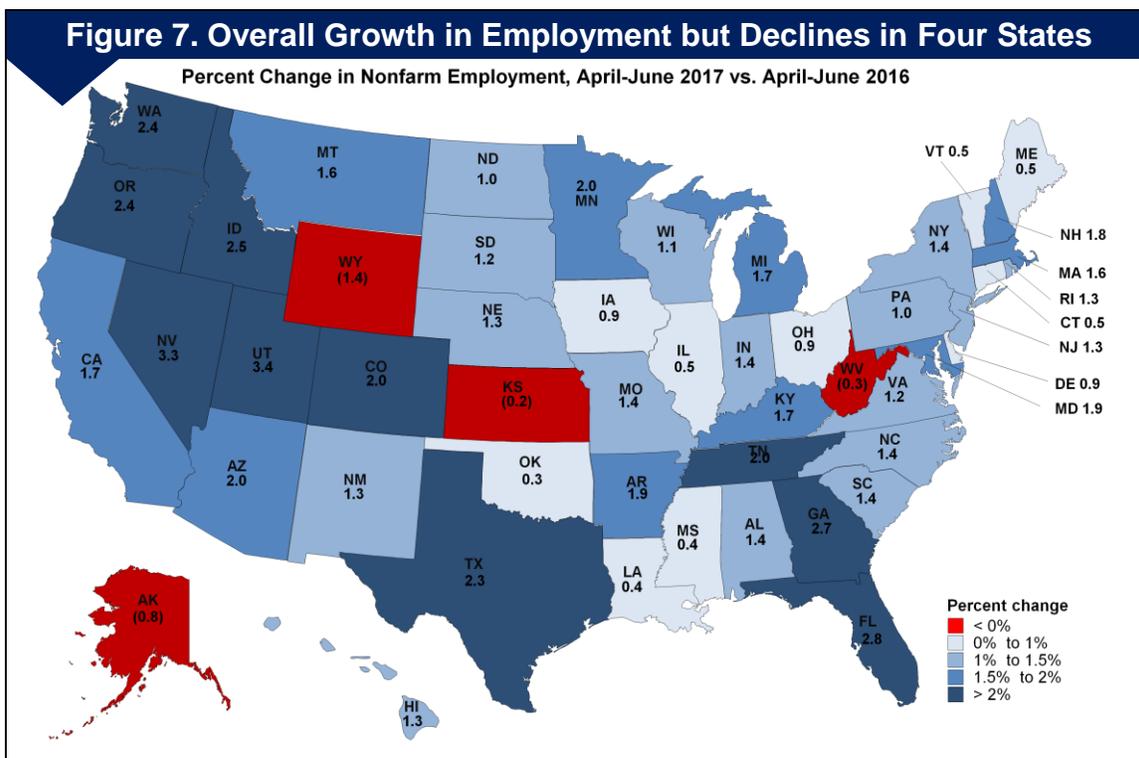
Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income goes up, the sales tax generates more revenue when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly, and when it declines, tax 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 and grew at 0.5 percent in the first quarter of 2017. Real GDP showed uninterrupted growth since 2010 and grew 1.9 percent in the first quarter of 2017. Overall, growth was also downward for the real GDP between mid-2015 to mid-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 2.1 percent in the second quarter of 2017.

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



[Figure 7](#) shows year-over-year employment growth in the second quarter of 2017 compared to the same quarter in 2016. For the nation as a whole, employment grew 1.6 percent in the second quarter of 2017. On a year-over-year basis, employment grew in forty-six states. Four states — Alaska, Kansas, 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 Kansas. Wyoming had the largest declines at 1.4 percent, followed by Alaska at 0.8 percent.



Tax Law Changes Affecting the First Quarter of 2017

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the January-March 2017 quarter, enacted tax increases and decreases produced an estimated gain of \$229 million compared to the same period in 2016.¹⁰ Tax changes decreased personal income tax by approximately \$635 million, increased sales tax by \$477 million, and decreased corporate income taxes by \$170 million. Enacted tax changes also increased motor fuel taxes by \$223 million, cigarette taxes by \$218 million, and some other taxes by \$110 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 three quarters of fiscal 2017, states collected \$669.2 billion in total tax revenues, a gain of 2.0 percent from \$656.4 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 3.6 and 2.2 percent, respectively, in the first three quarters of fiscal 2017 compared to the same period of 2016, while corporate income tax decreased by 13.6 percent.

All regions had growth in overall tax collections in the first three quarters of fiscal 2017. The Southeast region had the strongest growth increase at 3.5 percent, while the Southwest region had the softest growth at 0.2 percent. Thirty-eight states reported growth in the first three quarters of fiscal 2017, while twelve states reported declines. The greatest declines were reported in North Dakota and Wyoming at 11.4 and 9.8 percent, respectively.

Thirty-seven of forty-five states with broad-based sales tax collections reported growth in sales tax collections. Thirty-three states reported growth in personal income tax collections, while ten states reported declines.

Preliminary data collected by the Rockefeller Institute for the April-June quarter of 2017 show continued growth in sales tax and overall state tax revenue collections, but declines in personal income tax revenue collections. Total tax collections increased by 2.3 percent in the second quarter of 2017 compared to the same quarter in 2016, while sales tax collections grew 3.2 percent. Personal income tax collections declined 0.6 percent and corporate income tax collections grew 15.7 percent.

[Table 13](#) shows state-by-state changes in major tax revenues for the second quarter of 2017 compared to the same quarter of 2016. According to preliminary data, eleven states had declines in overall state tax revenue collections, with New Hampshire having the largest declines. Sixteen states reported declines in personal income tax collections and eight states reported declines in sales tax collections in the second quarter of 2017.

We will provide a complete analysis of tax revenue collections for the second quarter of 2017 after the Census Bureau's data for the quarter are available and after the Rockefeller Institute has had a chance to review and revise the Census data as necessary for any data corrections.

States continue to forecast weak tax revenue growth for fiscal year 2018. The median forecasts of income tax and sales tax growth are 4.2 percent and 3.7 percent, respectively. For more complete analysis and data on state-by-state revenue forecasts for fiscal years 2017 and 2018, see our *By The Numbers* report "[Weak Revenue Forecasts, Large Uncertainties Ahead](#)".¹¹ We will release a special report on revenue forecasts once we have actual fiscal year 2017 revenue collections and revised forecasts for all states for fiscal 2018.

Conclusion

State government tax revenue growth was weak throughout fiscal year 2017, reflecting the sharp declines in oil prices, general slow growth in the economy, and volatile income tax revenues.

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 fiscal uncertainty under the Trump administration: the likelihood of significant federal tax reform. Anticipating new legislation, many taxpayers 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. Until then, some taxpayers will continue deferring nonwage income. States will need to stay alert in the coming months and do their best to estimate the impact of potential and actual federal tax reform on state budgets.

Table 3. Quarterly State Tax Revenue

Year-Over-Year Percent Change			
Quarter	Nominal Change	Inflation Rate	Real Change
2017 Q1	3.1	2.0	1.1
2016 Q4	1.3	1.5	(0.2)
2016 Q3	1.4	1.2	0.2
2016 Q2	(2.5)	1.2	(3.7)
2016 Q1	1.5	1.2	0.4
2015 Q4	2.2	1.0	1.1
2015 Q3	3.9	1.0	2.9
2015 Q2	6.9	1.1	5.8
2015 Q1	5.5	1.1	4.3
2014 Q4	6.1	1.6	4.4
2014 Q3	4.7	1.9	2.7
2014 Q2	(0.7)	2.0	(2.7)
2014 Q1	0.4	1.7	(1.3)
2013 Q4	3.2	1.6	1.6
2013 Q3	5.7	1.5	4.1
2013 Q2	10.2	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	1.8
2011 Q4	3.2	1.9	1.3
2011 Q3	5.1	2.3	2.7
2011 Q2	11.2	2.2	8.9
2011 Q1	10.2	1.9	8.2
2010 Q4	8.2	1.8	6.3
2010 Q3	5.7	1.6	4.0
2010 Q2	2.2	1.1	1.1
2010 Q1	3.2	0.5	2.8
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(11.0)	0.3	(11.2)
2009 Q2	(16.3)	1.0	(17.1)
2009 Q1	(12.1)	1.6	(13.4)
2008 Q4	(4.1)	1.9	(5.8)
2008 Q3	2.5	2.1	0.4
2008 Q2	5.2	1.8	3.4
2008 Q1	2.7	1.9	0.7
2007 Q4	3.1	2.5	0.6
2007 Q3	2.9	2.4	0.4
2007 Q2	5.4	2.8	2.6
2007 Q1	5.2	3.0	2.1
2006 Q4	4.3	2.7	1.6
2006 Q3	6.2	3.1	3.0
2006 Q2	10.2	3.3	6.7
2006 Q1	7.1	3.2	3.8
2005 Q4	8.2	3.4	4.7
2005 Q3	10.6	3.3	7.0
2005 Q2	16.1	3.0	12.7
2005 Q1	10.9	3.2	7.5

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
2017 Q1	8.2	(26.9)	2.3	0.9	3.1
2016 Q4	0.2	(2.6)	1.9	1.2	1.3
2016 Q3	2.4	(9.3)	2.9	1.2	1.4
2016 Q2	(3.3)	(10.7)	0.3	1.4	(2.5)
2016 Q1	1.8	(6.0)	3.1	2.9	1.5
2015 Q4	5.1	(8.8)	2.4	3.5	2.2
2015 Q3	6.5	0.3	3.2	4.8	3.9
2015 Q2	13.7	7.5	3.6	3.1	6.9
2015 Q1	6.9	3.4	4.4	4.3	5.5
2014 Q4	9.3	9.5	7.1	2.4	6.1
2014 Q3	5.0	7.3	6.9	0.6	4.7
2014 Q2	(5.9)	(1.3)	4.5	4.0	(0.7)
2014 Q1	(0.3)	8.2	1.9	2.8	0.4
2013 Q4	0.7	2.8	5.1	3.5	3.2
2013 Q3	5.4	2.0	6.6	2.9	5.7
2013 Q2	18.4	10.8	12.0	2.1	10.2
2013 Q1	18.1	9.4	5.5	(1.4)	9.8
2012 Q4	10.6	2.9	2.8	1.3	5.6
2012 Q3	5.4	9.0	2.1	2.1	3.7
2012 Q2	5.7	(1.9)	1.6	1.7	3.5
2012 Q1	4.4	3.6	4.9	1.0	3.9
2011 Q4	3.4	(3.2)	2.8	0.7	3.2
2011 Q3	9.6	0.8	1.5	(0.2)	5.1
2011 Q2	15.7	16.6	6.1	7.4	11.2
2011 Q1	12.8	3.7	6.4	13.3	10.2
2010 Q4	10.6	11.9	5.5	11.8	8.2
2010 Q3	4.6	0.4	4.6	10.7	5.7
2010 Q2	1.5	(19.0)	5.7	4.1	2.2
2010 Q1	3.2	0.8	0.2	(0.1)	3.2
2009 Q4	(4.2)	1.0	(4.8)	(1.5)	(3.1)
2009 Q3	(11.7)	(21.1)	(9.9)	2.3	(11.0)
2009 Q2	(27.6)	3.0	(9.5)	(1.5)	(16.3)
2009 Q1	(18.8)	(20.0)	(8.5)	(3.6)	(12.1)
2008 Q4	(1.6)	(23.1)	(5.4)	(5.0)	(4.1)
2008 Q3	0.6	(13.4)	4.5	(5.0)	2.5
2008 Q2	7.6	(7.0)	1.0	(3.1)	5.2
2008 Q1	5.0	(1.7)	0.7	1.1	2.7
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	1.8	3.3	0.2	5.4
2007 Q1	8.5	14.8	3.2	0.1	5.2
2006 Q4	4.4	12.6	4.9	6.4	4.3
2006 Q3	6.9	17.8	7.1	0.7	6.2
2006 Q2	18.8	1.1	5.5	5.3	10.2
2006 Q1	9.3	9.6	7.0	3.5	7.1
2005 Q4	6.7	33.4	7.2	(0.5)	8.2
2005 Q3	10.2	24.5	9.3	11.4	10.6
2005 Q2	19.7	64.1	9.9	5.3	16.1
2005 Q1	13.1	29.7	8.2	6.3	10.9

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

Table 5. Quarterly State Tax Revenue, By State

	January-March 2016 (\$ in millions)					January-March 2017 (\$ in millions)				
	PIT	CIT	Sales	MFT	Total	PIT	CIT	Sales	MFT	Total
United States	79,771	10,736	70,690	10,789	223,527	86,352	7,853	72,186	10,888	230,381
New England	5,810	1,289	3,111	488	13,549	5,872	1,201	3,241	432	13,583
Connecticut	1,882	215	1,014	122	3,967	1,924	225	1,089	114	4,112
Maine	273	33	303	57	842	274	21	314	58	843
Massachusetts	3,247	784	1,474	236	6,542	3,262	767	1,512	181	6,505
New Hampshire	19	167	N/A	35	964	18	125	N/A	35	913
Rhode Island	250	66	226	22	761	238	47	230	22	711
Vermont	138	23	94	18	473	157	16	96	22	499
Mid-Atlantic	21,624	2,584	8,994	1,484	46,630	23,730	1,489	9,233	1,574	47,720
Delaware	392	67	N/A	29	991	418	44	N/A	29	1,022
Maryland	2,244	320	1,080	235	4,920	2,271	122	1,111	280	4,997
New Jersey	3,093	388	2,228	125	7,410	3,375	233	2,267	122	7,845
New York	13,035	1,225	3,283	404	22,069	14,688	569	3,351	384	22,876
Pennsylvania	2,860	584	2,402	691	11,240	2,979	520	2,504	758	10,981
Great Lakes	10,010	1,557	10,399	1,373	29,501	10,316	1,146	10,267	1,452	29,796
Illinois	3,746	903	2,662	320	9,871	3,860	756	2,682	320	9,864
Indiana	1,609	111	1,814	199	4,537	1,720	97	1,889	199	4,673
Michigan	1,454	290	1,758	151	4,699	1,486	54	1,430	190	4,304
Ohio	1,618	17	2,971	456	6,495	1,585	4	3,025	499	6,932
Wisconsin	1,583	236	1,194	246	3,900	1,665	236	1,241	245	4,022
Plains	5,405	651	4,626	808	15,141	6,109	448	4,732	843	16,011
Iowa	739	93	653	164	1,956	1,031	52	655	176	2,211
Kansas	467	54	795	108	2,186	471	54	796	107	2,208
Minnesota	2,266	358	1,322	204	5,600	2,520	266	1,393	216	5,943
Missouri	1,376	20	895	166	2,897	1,526	(4)	926	178	3,080
Nebraska	469	80	440	79	1,201	479	56	459	80	1,206
North Dakota	89	37	294	44	892	83	12	256	42	930
South Dakota	N/A	9	227	43	410	N/A	11	246	43	434
Southeast	12,305	1,939	17,002	3,165	44,071	12,910	1,410	17,862	3,117	45,111
Alabama	799	97	638	139	2,421	970	78	643	133	2,565
Arkansas	613	109	825	114	2,066	595	42	834	114	2,009
Florida	N/A	492	5,905	972	10,018	N/A	351	6,199	918	10,116
Georgia	2,260	247	1,376	411	4,930	2,451	104	1,425	415	5,035
Kentucky	960	93	836	175	2,774	944	78	819	176	2,740
Louisiana	753	47	763	150	2,469	746	37	1,110	141	2,970
Mississippi	346	182	846	106	1,959	333	72	841	103	1,724
North Carolina	2,955	57	1,723	448	6,191	3,016	88	1,847	445	6,445
South Carolina	488	115	766	137	1,925	507	58	745	135	1,764
Tennessee	23	318	2,092	207	3,466	19	354	2,124	214	3,582
Virginia	2,713	162	910	214	4,666	2,909	146	960	218	4,919
West Virginia	396	21	323	91	1,184	418	3	315	104	1,242
Southwest	1,382	201	9,920	1,257	18,822	1,612	15	9,911	1,245	19,475
Arizona	591	106	1,581	225	3,124	725	(1)	1,636	225	3,209
New Mexico	238	14	545	60	1,276	272	9	560	61	1,337
Oklahoma	553	81	604	112	1,809	615	8	593	107	1,820
Texas	N/A	N/A	7,190	860	12,612	N/A	N/A	7,122	852	13,109
Rocky Mountain	2,657	177	1,705	423	6,362	2,696	123	1,763	446	6,498
Colorado	1,488	124	696	156	2,997	1,438	43	730	157	2,948
Idaho	283	20	372	82	901	311	28	383	84	952
Montana	230	16	N/A	50	547	246	5	N/A	67	615
Utah	657	17	489	106	1,494	700	46	512	112	1,587
Wyoming	N/A	N/A	148	29	423	N/A	N/A	139	25	397
Far West	20,577	2,338	14,934	1,792	49,453	23,106	2,020	15,178	1,779	52,187
Alaska	N/A	(8)	N/A	10	87	N/A	5	N/A	11	233
California	18,478	2,265	9,729	1,215	37,543	20,732	1,961	9,706	1,158	39,357
Hawaii	496	(15)	818	22	1,707	556	(27)	832	23	1,783
Nevada	N/A	N/A	1,083	74	2,071	N/A	N/A	1,137	77	2,146
Oregon	1,603	97	N/A	123	2,233	1,818	82	N/A	125	2,440
Washington	N/A	N/A	3,304	348	5,811	N/A	N/A	3,503	386	6,227

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

January-March, 2016-2017, Percent Change

	PIT	CIT	Sales	MFT	Total
United States	8.2	(26.9)	2.1	0.9	3.1
New England	1.1	(6.8)	4.2	(11.6)	0.3
Connecticut	2.2	4.3	7.4	(5.9)	3.7
Maine	0.4	(36.9)	3.7	1.7	0.2
Massachusetts	0.4	(2.2)	2.6	(23.0)	(0.6)
New Hampshire	(7.6)	(25.2)	N/A	0.2	(5.3)
Rhode Island	(4.8)	(28.2)	1.9	0.5	(6.6)
Vermont	13.3	(29.0)	1.7	20.0	5.5
Mid-Atlantic	9.7	(42.4)	2.7	6.1	2.3
Delaware	6.5	(33.3)	N/A	1.6	3.1
Maryland	1.2	(61.8)	2.8	19.1	1.6
New Jersey	9.1	(39.9)	1.7	(2.2)	5.9
New York	12.7	(53.6)	2.1	(4.8)	3.7
Pennsylvania	4.2	(11.0)	4.2	9.7	(2.3)
Great Lakes	3.1	(26.4)	(1.3)	5.8	1.0
Illinois	3.0	(16.3)	0.7	(0.2)	(0.1)
Indiana	6.9	(12.1)	4.2	(0.1)	3.0
Michigan	2.2	(81.3)	(18.7)	26.2	(8.4)
Ohio	(2.0)	(78.8)	1.8	9.3	6.7
Wisconsin	5.1	(0.2)	3.9	(0.7)	3.1
Plains	13.0	(31.2)	2.3	4.4	5.7
Iowa	39.5	(43.9)	0.4	7.3	13.0
Kansas	0.8	(0.2)	0.1	(1.0)	1.0
Minnesota	11.2	(25.8)	5.4	5.9	6.1
Missouri	10.9	(118.3)	3.4	7.3	6.3
Nebraska	1.9	(29.5)	4.5	1.5	0.4
North Dakota	(6.6)	(68.1)	(12.8)	(3.6)	4.3
South Dakota	N/A	30.8	8.6	1.0	5.7
Southeast	4.9	(27.3)	5.1	(1.5)	2.4
Alabama	21.5	(19.8)	0.8	(4.3)	5.9
Arkansas	(2.9)	(61.8)	1.1	0.0	(2.8)
Florida	N/A	(28.5)	5.0	(5.5)	1.0
Georgia	8.4	(57.7)	3.6	1.0	2.1
Kentucky	(1.7)	(16.3)	(2.1)	0.5	(1.2)
Louisiana	(0.8)	(21.8)	45.4	(5.9)	20.3
Mississippi	(3.8)	(60.4)	(0.6)	(2.8)	(12.0)
North Carolina	2.1	55.2	7.2	(0.7)	4.1
South Carolina	4.0	(49.8)	(2.7)	(1.7)	(8.3)
Tennessee	(15.0)	11.6	1.6	3.6	3.3
Virginia	7.2	(10.0)	5.5	1.5	5.4
West Virginia	5.4	(87.7)	(2.3)	14.4	4.9
Southwest	16.7	(92.4)	(0.1)	(1.0)	3.5
Arizona	22.8	(101.3)	3.5	0.0	2.7
New Mexico	14.1	(37.4)	2.7	1.5	4.8
Oklahoma	11.2	(90.5)	(1.9)	(4.3)	0.6
Texas	N/A	N/A	(0.9)	(0.9)	3.9
Rocky Mountain	1.5	(30.9)	3.4	5.5	2.1
Colorado	(3.3)	(65.1)	4.9	0.6	(1.6)
Idaho	10.1	40.5	2.9	2.9	5.7
Montana	7.1	(71.0)	N/A	33.8	12.4
Utah	6.6	171.2	4.6	5.8	6.2
Wyoming	N/A	N/A	(6.2)	(11.7)	(6.2)
Far West	12.3	(13.6)	1.6	(0.7)	5.5
Alaska	N/A	NM	N/A	17.9	167.0
California	12.2	(13.4)	(0.2)	(4.7)	4.8
Hawaii	12.2	NM	1.7	1.8	4.5
Nevada	N/A	N/A	5.0	3.2	3.6
Oregon	13.4	(15.5)	N/A	1.5	9.3
Washington	N/A	N/A	6.0	10.9	7.1

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	2017 Q2
United States	4.6	2.6	3.6	2.8	5.8	6.1
New England	3.4	2.8	4.6	1.4	2.1	5.0
Connecticut	4.1	3.9	4.0	(1.9)	1.5	1.7
Maine	(0.0)	(4.1)	(5.9)	(8.8)	3.5	3.9
Massachusetts	3.1	3.0	6.0	3.9	2.8	6.9
Rhode Island	3.2	3.5	7.9	4.7	3.6	3.0
Vermont	8.2	4.7	1.5	3.7	(12.0)	6.5
Mid-Atlantic	4.6	0.9	0.2	3.0	5.8	7.0
Delaware	1.2	1.2	1.6	2.7	9.2	6.2
Maryland	4.2	(0.6)	8.4	2.0	4.7	10.0
New Jersey	7.0	2.5	(9.1)	6.2	10.0	13.0
New York	3.7	0.8	0.9	2.5	5.2	4.9
Pennsylvania	6.8	1.5	(1.4)	2.7	4.4	3.7
Great Lakes	2.5	2.9	0.3	0.7	3.5	4.3
Illinois	(1.6)	1.3	(7.9)	(3.2)	2.2	0.6
Indiana	3.0	3.4	4.6	4.6	5.4	5.2
Michigan	8.6	5.0	4.9	2.3	3.9	4.7
Ohio	0.5	0.5	1.1	(0.8)	3.5	4.6
Wisconsin	4.3	4.8	4.8	4.1	3.6	7.8
Plains	3.8	1.9	5.9	2.3	4.8	5.3
Iowa	6.1	3.4	4.0	4.8	1.1	4.4
Kansas	1.6	2.1	3.5	2.9	3.8	3.8
Minnesota	4.2	1.7	9.0	1.3	7.1	6.9
Missouri	5.4	3.4	5.5	3.0	4.7	4.7
Nebraska	2.9	5.5	6.2	3.4	5.9	3.6
North Dakota	(23.4)	(33.8)	(23.4)	(16.9)	(9.9)	(1.2)
Southeast	5.3	3.2	3.8	4.4	5.0	4.2
Alabama	2.7	4.0	2.4	3.9	3.1	4.3
Arkansas	(5.8)	5.1	3.6	4.5	4.6	8.5
Georgia	8.1	6.0	4.6	5.5	7.3	5.5
Kentucky	6.4	4.7	4.9	3.5	2.3	3.5
Louisiana	(4.6)	(1.4)	(0.6)	(5.5)	8.8	2.9
Mississippi	3.4	3.6	1.6	2.2	1.6	2.6
North Carolina	9.1	4.2	3.6	6.4	2.3	0.2
South Carolina	8.9	5.8	7.5	6.7	5.1	7.6
Virginia	5.3	(0.5)	4.1	4.8	6.7	5.0
West Virginia	(2.7)	(2.5)	(1.0)	(0.1)	1.9	5.1
Southwest	0.5	(0.9)	(1.0)	(0.5)	6.0	5.5
Arizona	3.8	4.4	5.1	4.0	7.9	4.8
New Mexico	2.8	(5.2)	(6.8)	(5.5)	6.6	3.3
Oklahoma	(4.7)	(6.3)	(6.4)	(4.1)	3.1	7.5
Rocky Mountain	5.7	4.8	5.4	4.3	6.5	8.2
Colorado	4.6	4.9	3.9	3.8	7.4	8.4
Idaho	4.7	8.2	7.9	6.4	0.1	8.0
Montana	4.6	3.3	3.7	1.2	6.8	5.5
Utah	8.9	3.7	7.8	5.3	7.7	8.6
Far West	6.6	4.3	8.5	3.6	9.4	8.6
California	6.3	3.8	8.8	3.6	9.6	8.9
Hawaii	7.8	4.4	5.9	4.2	12.0	1.2
Oregon	8.6	8.5	6.9	3.7	7.2	8.2

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

State	Payments for tax year 2016		Payments for tax year 2017	
	April 2016, 1st payment	June 2016, 2nd payment	April 2017, 1st payment	June 2017, 2nd payment
Average	(7.1)	(9.4)	(4.3)	1.6
Median	(5.6)	(6.1)	(1.7)	1.8
Alabama	(6.3)	(5.9)	(23.3)	0.8
Arizona	(6.7)	(9.8)	11.1	4.2
Arkansas	(2.9)	(9.3)	(1.6)	(2.8)
California	2.1	(8.1)	(0.8)	2.9
Colorado	(17.8)	4.3	12.2	6.5
Connecticut	(3.3)	(11.2)	(7.2)	(6.1)
Delaware	4.7	3.1	(3.3)	10.1
Georgia	(1.0)	(7.0)	2.1	8.2
Hawaii	17.3	(54.7)	37.3	49.4
Illinois	(43.4)	(39.1)	18.1	8.0
Indiana	2.4	9.8	(18.5)	1.8
Iowa	(42.4)	5.7	76.9	3.2
Kansas	(7.6)	(13.0)	(2.3)	10.8
Kentucky	0.7	(7.8)	(0.6)	(4.2)
Louisiana	(31.0)	(7.9)	18.8	8.1
Maine	(20.5)	(0.1)	0.0	18.4
Maryland	(9.1)	0.2	11.2	1.6
Massachusetts	0.1	(6.1)	(30.5)	(7.7)
Michigan	(4.3)	(4.8)	1.6	11.8
Minnesota	(8.2)	(0.8)	(1.8)	(4.5)
Mississippi	(40.3)	(6.0)	56.2	(0.1)
Missouri	(7.4)	(2.4)	2.1	(2.5)
Montana	2.1	(12.4)	4.7	3.5
Nebraska	(8.2)	(5.4)	(5.4)	(5.5)
New Jersey	(1.2)	(5.7)	(9.7)	(3.2)
New York	(10.0)	(13.7)	(12.9)	(1.4)
North Carolina	9.0	1.3	(8.7)	1.8
North Dakota	(59.6)	(38.2)	(10.2)	(17.2)
Ohio	(33.9)	(30.8)	(1.6)	(12.0)
Oklahoma	(17.7)	(22.8)	(14.9)	3.9
Oregon	(15.2)	0.5	29.8	9.7
Pennsylvania	2.8	(11.4)	(4.9)	1.3
Rhode Island	5.7	(5.0)	(11.0)	8.6
South Carolina	3.7	(2.3)	7.3	3.9
Vermont	(2.3)	(2.6)	(6.4)	(3.1)
Virginia	78.9	(7.2)	(26.5)	1.2
West Virginia	(12.8)	(17.3)	(16.0)	4.2
Wisconsin	(4.8)	(5.2)	(2.9)	(1.3)

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

Table 9. Final Payments

State	\$ millions		\$ millions		Percent change	
	2016 Q1	2016 Q2	2017 Q1	2017 Q2	2017 Q1 vs. 2016 Q1	2017 Q2 vs. 2016 Q2
Median United States	4,737.1	26,259.4	4,687.2	24,884.2	(2.2)	(4.4)
					(1.1)	(5.2)
Alabama	70.8	275.6	71.2	275.7	0.6	0.0
Arizona	91.3	590.2	92.5	571.5	1.3	(3.2)
Arkansas	65.1	237.3	55.4	202.1	(14.8)	(14.8)
California	669.5	4,544.6	657.4	4,084.4	(1.8)	(10.1)
Colorado	116.2	444.4	100.7	465.2	(13.3)	4.7
Connecticut	189.5	1,258.6	211.7	1,105.8	11.7	(12.1)
Delaware	23.6	103.7	22.8	100.0	(3.2)	(3.5)
Georgia	65.6	675.9	61.1	676.9	(6.7)	0.1
Hawaii	22.3	126.1	25.3	112.2	13.8	(11.0)
Idaho	105.7	355.0	113.1	357.9	7.0	0.8
Illinois	167.7	952.5	153.1	910.0	(8.7)	(4.5)
Indiana	127.6	534.8	121.3	527.3	(4.9)	(1.4)
Iowa	78.6	293.9	98.4	281.1	25.3	(4.3)
Kansas	51.7	246.2	99.0	225.9	91.3	(8.2)
Louisiana	57.0	245.5	74.5	254.2	30.7	3.5
Maine	38.0	185.6	39.6	186.2	4.3	0.4
Maryland	296.1	1,094.7	262.2	1,123.9	(11.5)	2.7
Massachusetts	161.2	1,605.2	140.3	1,528.0	(13.0)	(4.8)
Michigan	123.6	668.3	114.6	646.2	(7.3)	(3.3)
Minnesota	261.2	1,068.2	254.2	967.1	(2.7)	(9.5)
Missouri	130.1	622.6	134.5	561.9	3.4	(9.7)
Montana	24.8	152.2	20.1	138.3	(19.0)	(9.1)
Nebraska	89.2	271.4	86.1	226.4	(3.5)	(16.6)
New Jersey	210.5	1,879.6	216.3	1,916.6	2.8	2.0
New Mexico	84.0	212.9	80.5	235.8	(4.1)	10.8
New York	184.0	1,788.7	167.3	1,652.1	(9.1)	(7.6)
North Carolina	305.8	1,337.9	344.5	1,189.8	12.7	(11.1)
North Dakota	18.1	33.9	15.0	31.5	(17.1)	(7.1)
Ohio	72.7	497.8	78.9	500.7	8.5	0.6
Oklahoma	56.6	185.8	59.3	181.2	4.8	(2.5)
Pennsylvania	147.0	1,024.7	147.3	1,022.2	0.2	(0.2)
Rhode Island	17.4	140.4	24.0	130.2	37.5	(7.3)
South Carolina	92.5	355.2	74.4	339.6	(19.6)	(4.4)
Utah	161.1	574.5	153.2	609.6	(4.9)	6.1
Vermont	11.9	97.2	10.3	93.6	(13.5)	(3.7)
Virginia	159.1	981.8	101.6	914.2	(36.1)	(6.9)
West Virginia	79.0	184.8	90.8	162.6	14.9	(12.0)
Wisconsin	111.3	412.0	114.8	376.1	3.2	(8.7)

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

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	\$19,935	\$22,525	\$8,103	\$35,624	\$165,114
2017 Q1	2.6	1.7	0.6	2.4	(2.3)
2016 Q4	3.0	1.0	0.7	2.4	(3.1)
2016 Q3	4.6	0.5	1.0	1.0	(3.2)
2016 Q2	4.5	0.9	1.5	1.9	(3.3)
2016 Q1	7.1	0.8	1.5	2.8	(1.1)
2015 Q4	6.1	(0.6)	1.6	1.7	(0.9)
2015 Q3	5.1	(2.0)	1.9	1.3	(0.1)
2015 Q2	4.8	(2.6)	0.2	1.0	(0.2)
2015 Q1	3.9	(4.3)	0.7	0.6	(0.7)
2014 Q4	2.0	(3.4)	1.6	0.2	(1.0)
2014 Q3	4.4	(0.7)	1.0	1.1	(0.1)
2014 Q2	4.9	0.7	0.2	0.9	(1.9)
2014 Q1	4.5	2.0	0.4	0.1	(0.3)
2013 Q4	4.0	3.2	(1.5)	0.4	1.4
2013 Q3	1.6	1.5	(1.6)	(0.1)	1.4
2013 Q2	(1.9)	(1.0)	0.1	0.2	1.5
2013 Q1	(3.9)	(1.6)	1.0	0.9	3.7
2012 Q3	(7.0)	(2.5)	1.8	2.5	3.5
2012 Q3	(9.7)	(3.2)	2.7	2.7	4.4
2012 Q2	(10.2)	(2.3)	2.0	2.5	6.5
2012 Q1	(10.3)	(1.9)	0.7	2.1	9.3
2011 Q4	(9.0)	(1.3)	0.3	1.1	11.2
2011 Q3	(5.4)	(0.0)	1.1	1.4	11.5
2011 Q2	(0.0)	1.6	2.1	2.6	10.3
2011 Q1	5.0	2.7	2.7	3.6	9.4
2010 Q4	9.3	2.0	3.2	4.1	5.2
2010 Q3	11.7	1.2	2.5	4.3	(0.5)
2010 Q2	11.4	0.2	1.5	2.6	(6.5)
2010 Q1	8.2	(0.8)	0.7	1.2	(9.7)
2009 Q4	2.7	(0.2)	0.7	(0.1)	(11.9)
2009 Q3	(0.8)	0.5	(0.0)	(1.0)	(9.2)
2009 Q2	(2.3)	1.8	0.1	(0.7)	(1.9)
2009 Q1	(2.4)	2.7	0.5	(0.9)	3.4
2008 Q4	(0.4)	3.8	0.1	(0.7)	7.4
2008 Q3	2.4	4.8	0.4	(0.3)	8.5
2008 Q2	2.6	5.7	0.7	(0.7)	6.4
2008 Q1	3.7	5.6	0.6	(0.9)	2.3
2007 Q4	3.0	4.6	1.1	(0.4)	1.2
2007 Q3	0.8	2.5	1.7	(0.5)	(0.4)
2007 Q2	1.3	2.3	0.8	(0.0)	(0.2)
2007 Q1	0.5	2.8	1.1	0.7	(0.3)
2006 Q4	0.1	3.9	1.7	0.7	1.2
2006 Q3	(0.5)	6.4	1.3	0.7	3.3
2006 Q2	2.1	7.6	1.5	0.8	4.8
2006 Q1	0.6	5.9	1.9	0.6	5.9
2005 Q4	2.6	5.2	0.6	1.4	6.4
2005 Q3	2.6	3.9	(0.2)	2.2	5.6
2005 Q2	3.7	2.8	(1.2)	3.0	5.9
2005 Q1	(4.2)	3.1	(1.3)	4.9	6.6

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	237,411	29,352	211,680	33,237	656,359	246,056	25,374	216,408	33,610	669,223
New England	17,048	2,744	9,317	1,385	37,973	17,259	2,794	9,537	1,332	38,252
Connecticut	4,739	405	2,729	339	10,106	4,764	524	2,769	326	10,248
Maine	1,069	76	1,030	188	2,939	1,036	99	1,100	191	3,004
Massachusetts	9,844	1,625	4,539	625	19,096	10,048	1,613	4,636	578	19,206
New Hampshire	42	448	N/A	108	1,948	42	414	N/A	109	1,916
Rhode Island	872	114	735	67	2,334	867	92	747	68	2,303
Vermont	482	76	284	58	1,550	502	52	284	62	1,575
Mid-Atlantic	56,564	7,192	26,572	4,562	123,863	58,306	5,861	27,321	4,693	125,062
Delaware	1,052	217	N/A	87	2,599	1,088	137	N/A	89	2,605
Maryland	5,735	771	2,948	659	14,224	5,924	488	3,038	701	14,392
New Jersey	8,397	1,351	6,029	353	19,990	8,800	1,134	6,140	350	20,658
New York	33,211	3,334	10,033	1,232	59,608	34,273	2,707	10,411	1,265	60,046
Pennsylvania	8,170	1,519	7,562	2,230	27,441	8,222	1,395	7,733	2,287	27,361
Great Lakes	32,633	4,275	33,360	4,538	95,349	32,824	3,687	33,703	4,606	96,305
Illinois	9,854	2,204	8,485	1,015	28,287	9,701	1,776	8,515	1,009	27,770
Indiana	5,117	559	5,453	631	13,953	5,389	519	5,634	632	14,443
Michigan	6,666	790	6,988	789	20,898	6,742	781	6,864	822	21,173
Ohio	6,008	30	9,126	1,408	20,587	5,763	4	9,287	1,446	20,988
Wisconsin	4,988	692	3,308	696	11,624	5,228	606	3,404	697	11,932
Plains	17,303	2,027	14,121	2,515	46,325	18,334	1,472	14,305	2,564	47,019
Iowa	2,570	214	2,025	409	6,261	2,890	185	2,039	428	6,559
Kansas	1,517	252	2,439	339	5,761	1,610	199	2,393	344	5,785
Minnesota	7,231	1,040	3,921	681	17,425	7,623	777	4,149	696	17,862
Missouri	4,206	207	2,649	536	8,829	4,457	125	2,694	545	9,063
Nebraska	1,517	232	1,338	254	3,660	1,537	148	1,374	261	3,636
North Dakota	261	50	1,009	152	3,066	217	20	846	142	2,717
South Dakota	N/A	31	741	145	1,324	N/A	17	810	148	1,396
Southeast	39,926	5,684	49,573	9,656	132,956	41,426	5,030	52,392	9,649	137,602
Alabama	2,441	316	1,909	427	7,182	2,659	204	1,953	428	7,363
Arkansas	1,917	300	2,504	357	6,753	1,944	212	2,535	363	6,741
Florida	N/A	1,420	16,504	2,859	28,413	N/A	1,380	17,383	2,756	29,199
Georgia	7,690	670	4,033	1,225	15,469	8,021	516	4,264	1,298	16,039
Kentucky	3,030	400	2,564	557	8,604	3,102	447	2,578	567	8,759
Louisiana	2,292	(68)	2,261	461	7,090	2,220	46	3,187	462	8,281
Mississippi	1,231	363	2,399	327	5,556	1,213	218	2,416	329	5,291
North Carolina	8,429	547	5,312	1,443	18,345	8,688	333	5,721	1,425	19,150
South Carolina	2,858	271	2,247	424	6,955	3,056	173	2,269	430	7,101
Tennessee	42	915	6,149	666	10,128	36	989	6,345	682	10,586
Virginia	8,731	444	2,734	603	14,749	9,219	455	2,800	612	15,399
West Virginia	1,265	106	956	306	3,713	1,269	56	940	298	3,694
Southwest	5,778	638	29,646	3,721	57,550	5,896	294	29,351	3,805	57,648
Arizona	2,679	363	4,613	601	10,106	2,890	194	4,765	674	10,475
New Mexico	987	73	1,543	145	3,938	949	56	1,587	147	3,931
Oklahoma	2,112	202	1,867	346	6,070	2,058	44	1,799	343	5,800
Texas*	N/A	N/A	21,623	2,628	37,437	N/A	N/A	21,200	2,642	37,441
Rocky Mountain	8,511	763	5,287	1,283	19,885	8,895	645	5,426	1,390	20,365
Colorado	4,508	383	2,145	501	9,188	4,616	275	2,227	513	9,259
Idaho	994	107	1,163	254	2,917	1,096	125	1,229	272	3,130
Montana	785	86	N/A	135	1,804	796	69	N/A	155	1,910
Utah	2,223	186	1,469	302	4,806	2,387	176	1,526	361	5,010
Wyoming	N/A	N/A	510	91	1,172	N/A	N/A	444	90	1,057
Far West	59,648	6,028	43,803	5,577	142,458	63,117	5,591	44,373	5,571	146,971
Alaska	N/A	25	N/A	38	521	N/A	3	N/A	36	916
California	52,753	5,533	28,801	3,819	107,942	55,883	5,192	28,133	3,664	109,708
Hawaii	1,514	52	2,404	70	5,062	1,576	30	2,417	65	5,138
Nevada	N/A	N/A	2,485	183	4,751	N/A	N/A	3,013	190	5,351
Oregon	5,381	418	N/A	453	7,528	5,657	366	N/A	459	7,726
Washington	N/A	N/A	10,113	1,013	16,652	N/A	N/A	10,810	1,157	18,132

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	3.6	(13.6)	2.2	1.1	2.0
New England	1.2	1.8	2.4	(3.8)	0.7
Connecticut	0.5	29.3	1.5	(3.9)	1.4
Maine	(3.1)	30.0	6.8	1.7	2.2
Massachusetts	2.1	(0.7)	2.1	(7.6)	0.6
New Hampshire	0.1	(7.6)	N/A	0.5	(1.6)
Rhode Island	(0.5)	(18.8)	1.6	1.1	(1.3)
Vermont	4.2	(31.3)	0.1	6.1	1.6
Mid-Atlantic	3.1	(18.5)	2.8	2.9	1.0
Delaware	3.4	(36.8)	N/A	2.1	0.2
Maryland	3.3	(36.7)	3.0	6.4	1.2
New Jersey	4.8	(16.1)	1.8	(0.9)	3.3
New York	3.2	(18.8)	3.8	2.7	0.7
Pennsylvania	0.6	(8.2)	2.3	2.5	(0.3)
Great Lakes	0.6	(13.8)	1.0	1.5	1.0
Illinois	(1.5)	(19.4)	0.4	(0.6)	(1.8)
Indiana	5.3	(7.2)	3.3	0.2	3.5
Michigan	1.1	(1.1)	(1.8)	4.1	1.3
Ohio	(4.1)	(85.6)	1.8	2.8	1.9
Wisconsin	4.8	(12.5)	2.9	0.2	2.6
Plains	6.0	(27.4)	1.3	1.9	1.5
Iowa	12.4	(13.3)	0.7	4.8	4.8
Kansas	6.2	(21.0)	(1.9)	1.4	0.4
Minnesota	5.4	(25.3)	5.8	2.2	2.5
Missouri	6.0	(39.7)	1.7	1.7	2.7
Nebraska	1.3	(36.3)	2.7	2.7	(0.6)
North Dakota	(17.0)	(59.3)	(16.1)	(6.3)	(11.4)
South Dakota	N/A	(44.6)	9.4	2.1	5.4
Southeast	3.8	(11.5)	5.7	(0.1)	3.5
Alabama	8.9	(35.4)	2.3	0.2	2.5
Arkansas	1.4	(29.2)	1.3	1.7	(0.2)
Florida	N/A	(2.8)	5.3	(3.6)	2.8
Georgia	4.3	(23.0)	5.7	6.0	3.7
Kentucky	2.4	11.7	0.6	1.6	1.8
Louisiana	(3.2)	NM	41.0	0.2	16.8
Mississippi	(1.5)	(40.0)	0.7	0.5	(4.8)
North Carolina	3.1	(39.0)	7.7	(1.3)	4.4
South Carolina	6.9	(36.2)	1.0	1.4	2.1
Tennessee	(14.4)	8.1	3.2	2.3	4.5
Virginia	5.6	2.4	2.4	1.5	4.4
West Virginia	0.3	(46.8)	(1.7)	(2.6)	(0.5)
Southwest	2.0	(54.0)	(1.0)	2.3	0.2
Arizona	7.8	(46.5)	3.3	12.0	3.7
New Mexico	(3.9)	(23.8)	2.9	1.6	(0.2)
Oklahoma	(2.6)	(78.3)	(3.7)	(1.1)	(4.4)
Texas	N/A	N/A	(2.0)	0.5	0.0
Rocky Mountain	4.5	(15.5)	2.6	8.3	2.4
Colorado	2.4	(28.3)	3.8	2.3	0.8
Idaho	10.2	16.3	5.6	7.3	7.3
Montana	1.4	(20.3)	N/A	14.6	5.9
Utah	7.3	(5.1)	3.9	19.4	4.3
Wyoming	N/A	N/A	(12.9)	(1.8)	(9.8)
Far West	5.8	(7.2)	1.3	(0.1)	3.2
Alaska	N/A	(86.2)	N/A	(5.4)	75.7
California	5.9	(6.2)	(2.3)	(4.1)	1.6
Hawaii	4.1	(43.2)	0.5	(8.0)	1.5
Nevada	N/A	N/A	21.2	3.9	12.6
Oregon	5.1	(12.4)	N/A	1.3	2.6
Washington	N/A	N/A	6.9	14.2	8.9

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

April-June 2016 vs 2017, Percent Change

	PIT	CIT	Sales	Total
United States	(0.6)	15.7	3.2	2.3
New England	(1.3)	(7.7)	2.8	(3.4)
Connecticut	(7.2)	(0.2)	1.3	(3.3)
Maine	3.3	24.3	3.8	3.3
Massachusetts	1.9	(17.8)	3.5	(0.7)
New Hampshire	12.9	3.2	N/A	(62.9)
Rhode Island	ND	ND	ND	ND
Vermont	(5.1)	3.8	5.7	0.1
Mid-Atlantic	(5.7)	16.8	2.4	(0.9)
Delaware	0.5	1.2	N/A	4.4
Maryland	11.2	42.5	1.0	9.2
New Jersey	ND	ND	ND	ND
New York	(11.6)	22.2	2.0	(6.5)
Pennsylvania	2.1	3.9	3.8	4.3
Great Lakes	2.4	34.5	2.3	4.0
Illinois	0.2	1.0	(0.6)	0.0
Indiana	3.3	6.5	3.9	3.5
Michigan	5.2	NM	0.2	12.9
Ohio	2.7	NM	4.0	3.4
Wisconsin	2.6	24.2	4.0	2.1
Plains	(5.5)	13.0	2.2	(0.0)
Iowa	(25.0)	19.8	(0.2)	(10.8)
Kansas	0.7	19.5	2.8	14.6
Minnesota	(3.9)	(7.1)	1.4	(1.7)
Missouri	(1.6)	33.6	1.7	1.0
Nebraska	(5.2)	54.2	3.5	(0.8)
North Dakota	(14.3)	(17.8)	1.8	(5.1)
South Dakota	N/A	N/A	12.8	12.6
Southeast	0.2	16.6	4.8	4.1
Alabama	(12.6)	45.6	2.2	(0.7)
Arkansas	(4.7)	23.0	4.7	5.6
Florida	N/A	16.7	5.2	5.6
Georgia	7.6	46.6	4.6	7.1
Kentucky	3.1	(3.7)	0.9	2.2
Louisiana	25.3	6.5	18.6	19.2
Mississippi	3.0	96.5	2.4	7.6
North Carolina	(6.1)	(17.8)	3.8	(2.1)
South Carolina	7.8	18.6	3.1	6.2
Tennessee	(22.8)	15.0	5.7	4.4
Virginia	0.0	16.3	2.0	1.4
West Virginia	(1.1)	54.6	2.7	4.6
Southwest	(2.4)	(12.9)	4.8	1.7
Arizona	(3.7)	(16.2)	8.1	(0.0)
New Mexico	ND	ND	ND	ND
Oklahoma	(0.2)	(7.0)	6.2	4.2
Texas	N/A	N/A	4.3	1.7
Rocky Mountain	5.0	9.6	7.3	5.8
Colorado	5.4	4.0	8.1	5.9
Idaho	6.8	12.4	6.6	5.3
Montana	(9.0)	81.0	N/A	2.3
Utah	6.9	2.9	6.5	7.4
Wyoming	N/A	N/A	ND	ND
Far West	1.9	19.0	1.1	3.9
Alaska	N/A	61.1	N/A	90.9
California	0.7	18.3	(0.7)	2.9
Hawaii	2.4	60.4	6.5	4.8
Nevada	N/A	N/A	5.4	5.7
Oregon	16.2	14.4	N/A	15.4
Washington	N/A	N/A	5.3	4.1

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 June 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 January-March 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 For more information, see *FY 2018 First Quarterly Update* (Albany: New York State Division of the Budget, August 2017): 110, <https://openbudget.ny.gov/historicalFP/fy18archive/enactedfy18/fy2018fpq1.pdf>.
- 5 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>.
- 6 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>.
- 7 “2017 May Revision: Background on Revenue Issues,” Legislative Analyst’s Office website, May 24, 2017, <http://www.lao.ca.gov/LAOEconTax/Article/Detail/241>.
- 8 *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.
- 9 For more information, see <https://www.amazon.com/gp/help/customer/display.html?nodeId=468512>.
- 10 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>.
- 11 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.

You can contact Lucy Dadayan at lucy.dadayan@rockinst.suny.edu.