

State Corporate Income Tax Collections Decline Sharply

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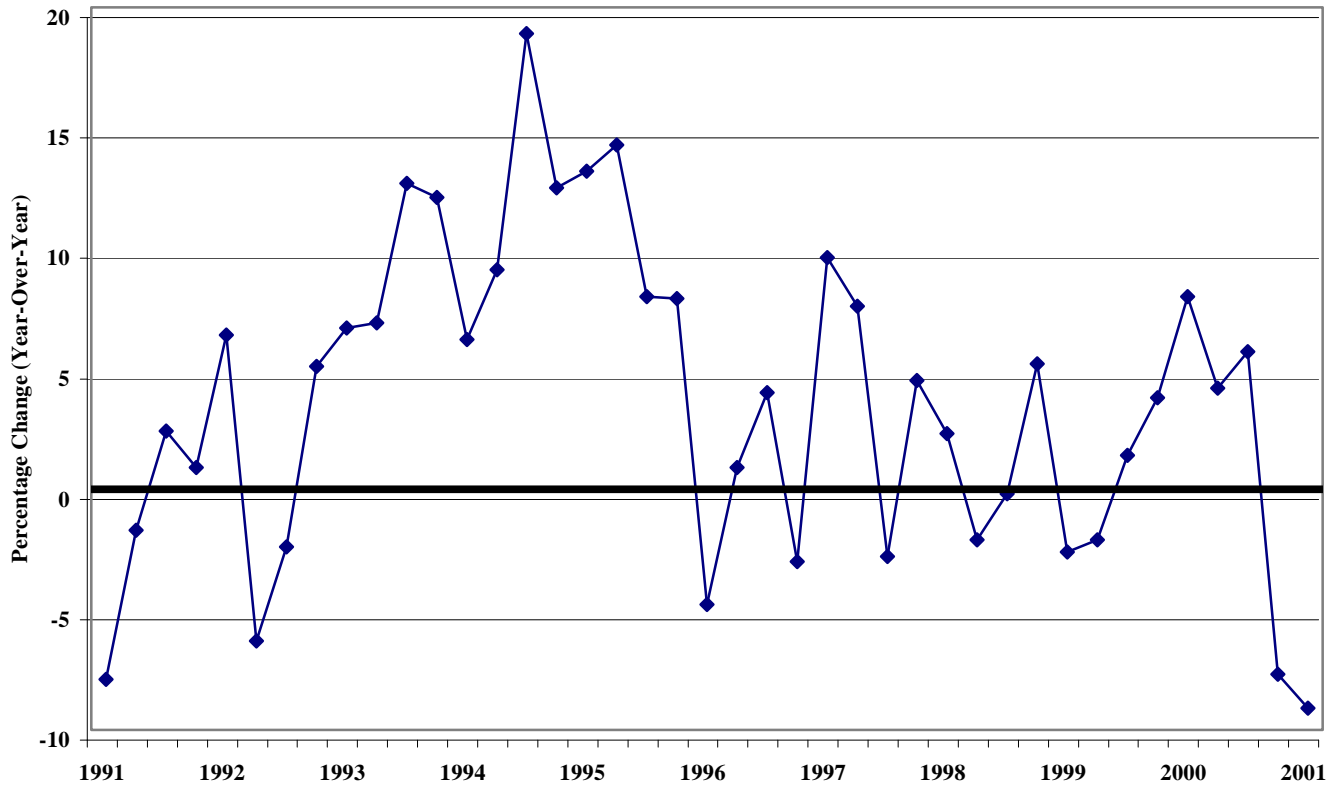
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According to a report from the Congressional Budget Office, revenues from the federal corporate income tax fell by 26 percent in June 2001 compared to a year before. “The quarterly payments of corporate income taxes this June exhibited the largest percentage decline of any quarterly payments since 1983, when receipts were weakened by the 1981-1982 recession and tax cuts enacted in 1981.”¹ The CBO report is consistent with widespread news of declining corporate profits. Meanwhile, data collected for the Rockefeller Institute’s State Revenue Report shows that state corporate income tax collections have declined significantly for the last several months.

Figure 1 shows the growth of the Corporate Income Tax (CIT) over the last ten years. The CIT is the most volatile of the major state taxes, its growth rate often varying by 10 percent or more from quarter to quarter. Still the last two quarters have been noticeably weaker than before, representing the weakest two consecutive quarters we have observed in the last decade. Preliminary data for the April-June 2001 quarter indicates that this trend is continuing.

Figure 1.
Change in Quarterly Corporate Income Tax Revenue, 1991-2001.



Source: State revenue data collected by The Nelson A. Rockefeller Institute of Government.

The CIT is more important to some states than to others. Table 1 lists the state in order of the contribution of the CIT to their general revenues in 1998 (the latest year for which Census data is available). Of the 45 states with a CIT, the contribution to revenues ranges from eight percent in New Hampshire to 1.1 percent in Hawaii.

Table 1.
Contribution of CIT to General State Revenues, 1998.

State	Percent of General State Revenues From Corporate Income Tax	State	Percent of General State Revenues From Corporate Income Tax
New Hampshire	8.0	Mississippi	2.9
Michigan	6.5	Nebraska	2.9
Illinois	5.8	Utah	2.8
Indiana	5.4	Kentucky	2.6
Delaware	5.3	Louisiana	2.6
Massachusetts	5.3	Montana	2.6
California	5.0	Colorado	2.5
Arizona	4.5	New Mexico	2.5
Tennessee	4.3	Oregon	2.5
Minnesota	4.2	Maryland	2.4
New Jersey	4.2	Missouri	2.4
North Carolina	4.2	Ohio	2.4
Pennsylvania	4.2	Oklahoma	2.4
Kansas	3.9	Maine	2.3
New York	3.9	Virginia	2.3
Connecticut	3.7	Iowa	2.2
Georgia	3.7	Vermont	2.1
Wisconsin	3.7	Alabama	2.0
United States	3.6	South Carolina	1.9
West Virginia	3.6	Rhode Island	1.8
Alaska	3.5	Hawaii	1.1
Florida	3.5	Nevada	NA
Arkansas	3.3	South Dakota	NA
Idaho	3.3	Texas	NA
North Dakota	3.3	Washington	NA
		Wyoming	NA

Source: U.S. Census Bureau, Governments Division.

NA - Not Applicable (State does not have Corporate Income Tax)

In Table 2, we show the change in the CIT in the October 2000 to March 2001 period versus the same period in the prior year, as a percentage of states' total tax revenues. We have adjusted these percentages for the effect of legislated tax changes affecting these quarters. The total national decline was 0.4 percent, with 26 of 45 CIT states showing some decline. The worst affected state was North Carolina with a decline equal to 3.3 percent of its total tax revenues. Illinois and Maine also had declines of over two percent. It is a reflection of the variability of the CIT that seven states still had an increase of two percent or more, even with the national decline. The 15.1 percent increase in Alaska is due to the improvement of oil company profits over the last several months.

Table 2.
Year-Over-Year Change in Corporate Income Tax Revenue.
(Percent of Total Tax Revenue)
(October 2000 - March 2001 vs. October 1999 - March 2000)

State		State	
North Carolina	-3.3%	Vermont	-0.2%
Maine	-2.8%	Michigan	-0.2%
Illinois	-2.3%	Florida	-0.2%
Delaware	-1.6%	Oregon	0.1%
Oklahoma	-1.5%	Arkansas	0.1%
Alabama	-1.4%	Utah	0.2%
Ohio	-1.3%	Mississippi	0.2%
Minnesota	-1.3%	Arizona	0.3%
Virginia	-1.2%	Georgia	0.3%
Pennsylvania	-1.2%	South Carolina	0.3%
Iowa	-1.1%	Nebraska	0.5%
West Virginia	-1.0%	California	0.5%
Tennessee	-1.0%	Connecticut	0.9%
Colorado	-0.9%	North Dakota	1.0%
Massachusetts	-0.9%	Hawaii	1.2%
Indiana	-0.9%	Montana	2.0%
Missouri	-0.9%	Maryland	2.1%
Kentucky	-0.8%	Louisiana	2.2%
Wisconsin	-0.6%	New Hampshire	2.7%
New Jersey	-0.6%	Idaho	3.1%
Kansas	-0.6%	New Mexico	3.5%
Rhode Island	-0.5%	Alaska	15.1%
New York	-0.4%		
United States	-0.4%		

Source: State revenue data collected by The Nelson A. Rockefeller Institute of Government.

Notes:

¹ Congressional Budget Office, Monthly Budget Review, July 11, 2001.

What we call the Corporate Income Tax in this article and in the Revenue Report some states call by different names, including Corporate Franchise Tax and Business Profits Tax. It also includes the Single Business Tax in Michigan.

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