STATE REVENUE REPORT

Fiscal Studies Program
The Nelson A. Rockefeller Institute of Government

September 2001
No. 45

State Tax Revenue Growth Weakens Significantly

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HIGHLIGHTS

- ❖ State tax revenue weakened further on the April-June quarter, growing by only 2.6 percent compared to the same period in 2000.
- ❖ After adjusting for tax law changes and inflation, real underlying state tax revenue growth was 0.8 percent — the weakest in eight years.
- ❖ The slowing in revenue growth has spread to nearly the entire country.
- ❖ Fewer states cut taxes this year than in the last several; a few states even increased taxes.
- ❖ Personal income tax revenue growth slowed to 5.6 percent, with no growth in estimated tax payments and only 2.8 percent growth in withholding.
- ❖ Sales tax revenue growth fell to 0.5 percent, the slowest growth in over nine years.
- ❖ Corporate income tax revenue declined sharply for the third straight quarter; it was down in 35 of 45 states.

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Figure 2. Year-Over-Year Increase in Real Adjusted Tax Revenue, 1991-2001

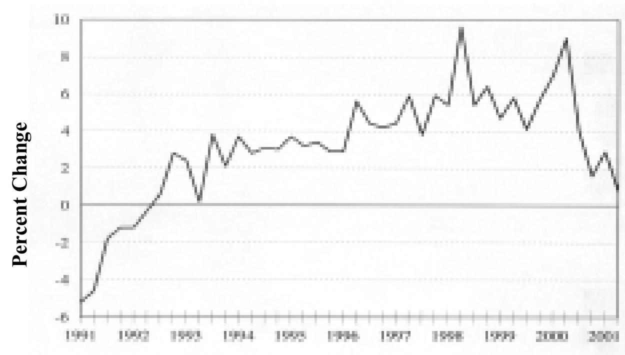


Table 1. Year-Over-Year Change in Quarterly State Tax Revenue, Adjusting for Legislated Tax Changes and Inflation

	Total Nominal Increase	*Adjusted Nominal Increase*	*Inflation Rate*	*Real Increase*
1994				
Jan.-Mar.	6.7%	6.3%	2.5%	3.7%
April-June	5.4	5.3	2.4	2.8
July-Sept.	6.6	6.1	2.9	3.1
Oct.-Dec.	6.8	5.8	2.7	3.0
1995				
Jan.-Mar.	7.3	6.6	2.8	3.7
April-June	7.1	6.4	3.1	3.2
July-Sept.	5.6	6.1	2.6	3.4
Oct.-Dec.	4.9	5.7	2.7	2.9
1996				
Jan.-Mar.	4.7	5.7	2.7	2.9
April-June	7.3	8.6	2.8	5.6
July-Sept.	6.2	7.4	2.9	4.4
Oct.-Dec.	6.2	7.5	3.2	4.2
1997				
Jan.-Mar.	6.0	7.4	2.9	4.4
April-June	6.2	8.3	2.3	5.9
July-Sept.	5.5	6.1	2.2	3.8
Oct.-Dec.	6.8	7.9	1.9	5.9
1998				
Jan.-Mar.	6.5	7.0	1.5	5.4
April-June	9.7	11.4	1.6	9.6
July-Sept.	6.6	7.1	1.6	5.4
Oct.-Dec.	7.5	8.0	1.5	6.4
1999				
Jan.-Mar.	4.8	6.5	1.7	4.7
April-June	5.0	8.0	2.1	5.8
July-Sept.	6.1	6.5	2.3	4.1
Oct.-Dec.	7.4	8.4	2.6	5.7
2000				
Jan.-Mar.	9.7	10.4	3.2	7.0
April-June	11.4	11.8	3.3	8.2
July-Sept.	7.1	7.7	3.5	4.1
Oct.-Dec.	4.0	5.0	3.4	1.5
2001				
Jan-Mar	5.1	6.3	3.4	2.8
April-June	2.6	4.2	3.4	0.8

Note: Inflation is measured by the Consumer Price Index. Please call Fiscal Studies Program for pre-1994 data.

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

	PIT	*CIT*	*Sales*	*Total*
1994				
Jan.-Mar.	7.6%	6.2%	6.9%	6.7%
April-June	1.3	9.1	9.0	5.4
July-Sept.	4.2	18.9	7.8	6.6
Oct.-Dec.	4.2	12.5	9.1	6.8
1995				
Jan.-Mar.	6.4	13.2	9.0	7.3
April-June	8.3	14.3	6.1	7.1
July-Sept.	6.3	8.0	5.2	5.6
Oct.-Dec.	5.6	7.9	4.2	4.9
1996				
Jan.-Mar.	7.1	(4.8)	5.6	4.7
April-June	11.3	0.9	6.8	7.3
July-Sept.	6.9	4.0	5.8	6.2
Oct.-Dec.	9.1	(3.0)	6.1	6.2
1997				
Jan.-Mar.	7.1	9.6	4.7	6.0
April-June	8.8	7.6	4.3	6.2
July-Sept.	8.4	(2.8)	5.8	5.5
Oct.-Dec.	8.3	4.5	5.3	6.8
1998				
Jan.-Mar.	9.3	2.3	5.6	6.5
April-June	19.5	(2.1)	5.3	9.7
July-Sept.	8.9	(0.2)	5.9	6.6
Oct.-Dec.	9.5	5.2	5.5	7.5
1999				
Jan-Mar.	6.6	(2.6)	6.1	4.8
April-June	6.0	(2.1)	7.3	5.0
July-Sept.	7.6	1.4	6.7	6.1
Oct.-Dec.	9.1	3.8	7.3	7.4
2000				
Jan.-Mar.	13.6	8.0	8.2	9.7
April-June	18.8	4.2	7.3	11.4
July-Sept.	11.0	5.7	4.7	7.1
Oct.-Dec.	5.7	(7.7)	4.1	4.0
2001				
Jan-Mar	8.6	(9.1)	3.3	5.1
April-June	5.6	(13.7)	0.5	2.6

Note: Please call Fiscal Studies Program for pre-1994 data.

Introduction

Over the past five years, April-June has been the quarter of strongest state tax revenue growth, as states with personal income taxes have enjoyed windfalls from final payments with tax returns. April-June 2001, however, has broken this pattern by extending the trend of slowing revenue growth seen over the previous three quarters. State tax revenue growth was only 2.6 percent for the quarter, the slowest in ten years. While the personal income tax picture was mixed, sales tax growth fell to the lowest rate in over ten years, and corporate income tax collections declined sharply for the third quarter in a row. When adjusted to reflect the effects of legislated changes and inflation, real state tax revenue growth was only 0.8 percent, the weakest in eight years.

Tax Revenue Growth

Table 1 shows tax revenue growth for the last 30 quarters before and after adjusting for legislated tax changes and inflation. However it is measured, state tax revenue growth has contracted rapidly from the very large increases of a year ago to the smallest increases seen since the early 1990s. The unadjusted 2.6 percent growth in April-June 2001 was the weakest since April-June 1991. Adjusting for the effects of legislated tax changes brings this growth rate up to 4.2 percent, but after accounting for inflation, real growth was only 0.8 percent. This was the slowest real growth since April-June of 1993. The good news is that this slowing is not yet what one would see in the worst of a recession, where real *declines* in revenues over the course of several quarters would occur. During the last recession, revenues adjusted for legislated changes and inflation were down by as much as five and six percent in some quarters.

Regional variation in revenue growth (seen in Table 3) has decreased from previous quarters, suggesting that the slowdown is spreading to most parts of the country. The west and northeastern states continue to have the strongest growth, but the range from the fastest-growing to slowest-growing (or declining) region decreased from 16.6 percent last quarter to only 7.5 percent this

Table 3. Change in Quarterly Tax Revenue by State, April to June, 2000 to 2001

	PIT	*CIT*	*Sales*	*Total*
United States	**5.6%**	**(13.7)%**	**0.5%**	**2.6%**
New England	**8.4**	**(27.0)**	**0.2**	**3.5**
Connecticut	9.8¶	(29.4)¶	(1.5)¶	2.3¶
Maine	11.0¶	(21.0)	(2.2)¶	(3.0)¶
Massachusetts	7.4¶	(33.4)	1.2	4.0¶
New Hampshire	NA	7.8	NA	0.5
Rhode Island	9.9	(36.2)	8.8	7.9
Vermont	7.5¶	2.7	(5.9)	3.1¶
Mid-Atlantic	**9.4**	**(15.4)**	**1.3**	**4.2**
Delaware	(5.7)¶	(55.6)	NA	(3.3)¶
Maryland	4.7¶	(6.5)	3.0	4.0¶
New Jersey[1]	7.5¶	(17.4)	4.8	3.4¶
New York	13.4	(9.0)¶	(0.5)¶	7.7¶
Pennsylvania	3.8	(20.2)	1.1	(1.1)¶
Great Lakes	**(6.2)**	**(8.5)**	**0.8**	**(2.7)**
Illinois	3.1¶	(15.6)¶	(3.1)	(0.4)¶
Indiana	3.8	(11.4)*	0.6	1.0
Michigan	(7.2)¶	(9.9)¶	2.3	(3.0)¶
Ohio	(4.4)¶	17.2	1.0	1.0¶
Wisconsin	(27.9)¶	(31.7)	4.2	(16.4)¶
Plains	**5.5**	**(21.4)**	**0.8**	**2.2**
Iowa	0.7	(15.8)	4.8	1.0
Kansas	4.0*	(19.1)	2.1	2.4
Minnesota	10.6¶	(24.9)	(2.2)	3.7¶
Missouri	4.9	(30.2)	3.2	1.5
Nebraska	0.5	(19.5)	(2.2)	(2.0)
North Dakota	11.1	21.6	15.4	11.5
South Dakota	NA	NA	2.2	(2.0)
Southeast	**7.2**	**(10.3)**	**0.9**	**3.2**
Alabama	(2.1)	(19.4)*	(0.1)	2.9
Arkansas	5.8	(19.7)	3.4	2.9
Florida	NA	(9.1)	(1.3)	1.7¶
Georgia	11.9	(4.8)	2.8	5.3
Kentucky	0.4	(6.3)	3.5*	1.4
Louisiana	20.5*	(2.9)	14.5*	11.9*
Mississippi	3.5	(22.4)	1.7	1.4
North Carolina	12.9	(37.7)	(2.2)	6.0
South Carolina	(3.7)	(10.5)	(2.4)¶	(1.4)
Tennessee	NA	54.8	0.9	2.1
Virginia	5.4	(39.5)¶	1.5	1.0¶
West Virginia	4.0	5.0	(0.6)	0.5
Southwest	**1.4**	**(15.4)**	**3.7**	**4.8**
Arizona	5.0	(18.0)¶	3.0	1.1¶
New Mexico	(22.3)	1.3	9.3	0.3
Oklahoma	10.2	(20.2)	12.2*	8.9
Texas	NA	NA	2.7	5.5¶
Rocky Mountain	**(0.2)**	**3.2**	**3.5**	**2.3**
Colorado	(2.0)¶	18.3	3.3¶	0.7¶
Idaho	2.5¶	(27.0)	3.2	2.7¶
Montana	1.8	47.3	NA	13.9
Utah	1.2	(17.7)	1.8	(0.3)
Wyoming	NA	NA	16.2	4.7
Far West	**9.1**	**(15.6)**	**(3.5)**	**3.5**
Alaska	NA	21.2	NA	(21.0)
California	10.1¶	(17.4)¶	(5.0)	4.3¶
Hawaii	2.1¶	(20.4)¶	3.5¶	3.9¶
Nevada	NA	NA	5.6	11.5
Oregon	(0.3)	(20.4)	NA	(2.0)
Washington	NA	NA	(2.1)	2.7¶

See p. 5 for notes.

Figure 3
Percent Change in Tax Revenue by Region, Adjusted for Legislated Changes April-June 2000 to 2001

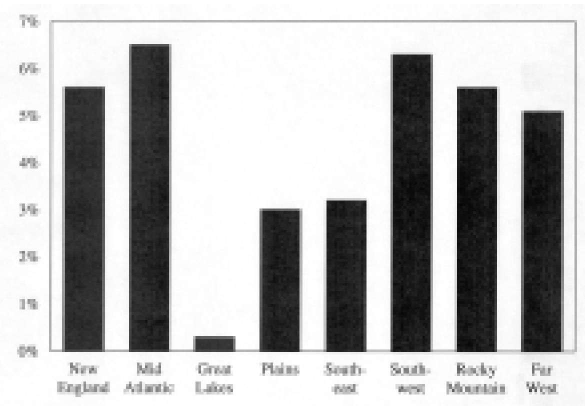


Figure 4
Change in Quarterly Tax Revenue by State, Adjusting for Legislated Changes, April-June 2000 to 2001

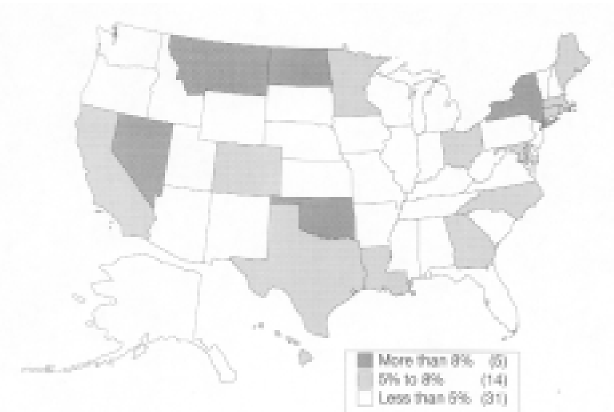
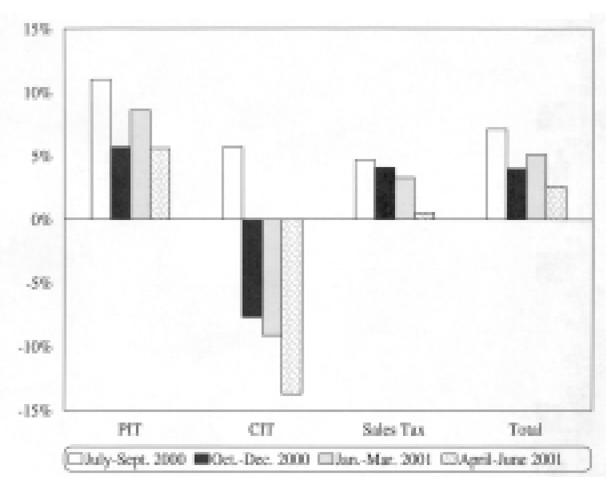


Figure 5
Change in Quarterly Tax Revenue by Tax, Last Four Quarters



quarter. Growth in the Southwest was five percent, buoyed perhaps by the strength of oil production and profits. The Mid-Atlantic states were also comparatively strong, especially when taking into account the effects of several large tax cuts. (See Figure 3.) The Great Lakes region remains the weakest with revenue growth of only 0.3 percent compared to last year and adjusting for legislation. When adjusted for inflation the picture there gets even worse.

Tables 2 and 4 show year-over-year growth in the major tax sources and total tax revenue before and after adjusting for the effects of legislated tax changes. What increase there was in revenue growth in the April-June quarter is nearly entirely due to the personal income tax, which is troubling since its growth rate is declining.

Personal Income Tax

The April-June quarter is important to states with personal income taxes because April (or in some states, May) is the month when taxpayers file their final returns and either receive refunds or pay the remainder of what they owe for the preceding year. This year the collection on these final returns was very strong, as it had been in the previous several years, but it was balanced against much weaker withholdings and estimated tax payments, leaving the overall personal income tax revenue picture mixed.

Personal income tax revenue growth in the second quarter of calendar 2001 was 5.6 percent, with revenues in some regions of the country growing faster than others. This was the second-worst quarter since the end of 1995. The Great Lakes states saw a decline in personal income tax revenue, even after adjusting for several sizable tax cuts. Nine states posted a decline in personal income tax revenue — Alabama, Colorado, Delaware, Michigan, New Mexico, Ohio, Oregon, South Carolina, and Wisconsin. In Delaware, Colorado, Michigan, Ohio, and Wisconsin, tax cuts caused all or most of these declines. On the other hand, the New England, Mid-Atlantic and Far West regions all had double-digit growth, when adjusted for legislation. Nine states experienced double-digit growth in personal income tax revenue.[1]

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

	PIT	*Sales*	*Total*
1994			
Jan.-Mar.	7.4%	6.3%	6.3%
April-June	1.8	8.0	5.3
July-Sept.	4.4	6.8	6.1
Oct.-Dec.	4.4	7.5	5.8
1995			
Jan.-Mar.	6.1	7.5	6.6
April-June	7.5	5.1	6.4
July-Sept.	7.2	5.4	6.1
Oct.-Dec.	7.1	4.2	5.7
1996			
Jan.-Mar.	8.8	5.7	5.7
April-June	14.1	6.5	8.6
July-Sept.	9.1	5.9	7.4
Oct.-Dec.	11.2	6.4	7.5
1997			
Jan.-Mar.	10.0	5.0	7.4
April-June	12.8	5.0	8.3
July-Sept.	9.5	6.2	6.1
Oct.-Dec.	10.7	5.9	7.9
1998			
Jan.-Mar.	10.0	6.5	7.0
April-June	23.3	5.9	11.4
July-Sept.	9.3	6.4	7.1
Oct.-Dec.	10.2	5.9	6.9
1999			
Jan.-Mar.	9.9	6.2	6.5
April-June	12.4	7.3	8.0
July-Sept.	8.3	6.9	6.5
Oct.-Dec.	11.0	7.5	8.4
2000			
Jan.-Mar.	13.8	8.8	10.4
April-June	18.6	7.8	11.8
July-Sept.	11.6	5.6	7.7
Oct.-Dec.	6.5	5.0	5.0
2001			
Jan.-Mar.	10.1	3.7	6.3
April-June	7.9	0.6	4.2

Note: The corporate income tax is not included in this table. The quarterly effect of legislation on this tax's revenue is especially uncertain. (See Technical Notes, page 13.)
For pre-1994 data, call the Fiscal Studies Program.

Key to Interpreting Tables

All percent change tables are based on year-over-year changes.
[1] June data not available.
* indicates legislation or processing/accounting changes significantly increased tax receipts (by one percentage point or more).
¶ indicates legislation or processing/accounting changes significantly decreased tax receipts.
NA means not applicable.
ND means no data.
Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1994. For data through 1990, call the Fiscal Studies Program.

A survey of April final payments in 26 states shows an increase of over 20 percent from last year, accounting for much of the growth seen in the quarter. However, payments with final returns reflect what happened in 2000. To get a sense of what is happening with the personal income tax this year, we need to look at withholding from paychecks and quarterly estimated tax payments.

Withholding

Withholding is a good indicator of emerging trends because it is based largely on current wages and because it is much less volatile than estimated payments or final settlements. Table 5 shows that year-over-year withholding growth for the second quarter of calendar 2001 was only 2.8 percent, continuing the slowdown seen over the last four quarters. Legislated tax cuts depressed withholding growth by about one percent in April-June.[2] This sluggish growth should give many states cause for concern, as it suggests that personal income tax revenue may not continue to sustain overall revenue growth. Although the slowdown is nationwide, the drop from last quarter is most noticeable in the Rocky Mountain and Far West states.

Estimated Payments

If the slowdown in the growth of withholding presents a bleak picture, the scene only gets gloomier when we turn to estimated tax payments (also known as declarations), generally paid by the highest-income taxpayers on non-wage income. This income is often from investments, especially from capital gains realized in the stock market. Most state estimators have given much of the credit for strong state revenue growth over the last few years to capital gains and stock options. The quarterly estimated payments on this income had been growing very rapidly though the 2000 tax year — reflecting in part the then-strong stock market. Over the past year or so, however, stock market prices, especially those of high-tech stocks, have fallen off their record highs. This fall appears to be affecting estimated tax payments.

As shown in Table 6, overall estimated tax payments were unchanged in the April-June quarter compared to last year. This quarter includes estimated tax payments for the first two quarters of

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

	2000		2001	
	July-Sept	*Oct.-Dec.*	*Jan.-Mar.*	*Apr.-June*
United States	**9.9%**	**6.5%**	**6.8%**	**2.8%**
New England	**13.2**	**4.4**	**8.3**	**2.0**
Connecticut	10.6	1.2	16.3	2.0
Maine	9.9	8.7	14.3	7.1
Massachusetts	15.1	4.9	4.7	1.3
Rhode Island	8.7	8.4	11.1	ND
Vermont	7.5	3.1	2.3	4.1
Mid-Atlantic	**10.6**	**8.9**	**12.5**	**3.9**
Delaware	(7.0)¶	(1.7)¶	7.7¶	4.0
Maryland[1]	10.3	5.8¶	5.3	5.7
New Jersey[1]	9.9	13.4	5.8	3.7
New York	11.7	9.9	18.1	3.1
Pennsylvania	10.1	6.4	5.2	4.7
Great Lakes	**3.2**	**2.2**	**(2.1)**	**1.1**
Illinois	6.7¶	4.6¶	0.9¶	6.2¶
Indiana	7.4	4.3	0.0	1.0
Michigan	(1.1)¶	(2.4)¶	(5.2)¶	0.9¶
Ohio	7.5	4.1	3.1	2.5
Wisconsin	(7.6)¶	1.6¶	(9.7)¶	(6.5)¶
Plains	**7.0**	**3.7**	**5.9**	**3.5**
Iowa	2.8	(0.1)	2.3	4.9
Kansas	12.7	7.8	1.4	3.2
Minnesota	5.6¶	3.5¶	5.4¶	2.6¶
Missouri	8.8	3.9	12.2	3.7
Nebraska	7.8	6.3	3.2	4.1
North Dakota	5.7	3.8	2.5	5.9
Southeast	**8.1**	**5.9**	**5.4**	**4.4**
Alabama	9.0	6.1	0.7	3.3
Arkansas	8.4	5.2	3.4	6.4
Georgia	12.7	13.9	3.2	ND
Kentucky	9.1	(0.1)	7.0	(0.8)
Louisiana	(4.6)	5.5	1.2	17.0
Mississippi	6.0¶	3.8¶	0.6	3.3
North Carolina[1]	8.4	7.3	5.7	2.7
South Carolina	5.7	0.7	5.2	2.2
Virginia	6.8	3.5	9.6	6.9
West Virginia	5.2	(0.9)	12.4	5.5
Southwest	**9.8**	**4.3**	**5.9**	**6.1**
Arizona	9.5	4.9	0.8	4.7
New Mexico	15.4	5.3	11.1	7.9
Oklahoma	8.2	3.2	10.3	7.0
Rocky Mountain	**10.9**	**10.6**	**5.5**	**1.6**
Colorado	13.2	10.1	7.0¶	0.4
Idaho	15.5	14.7	4.2	0.3
Montana	7.3	10.3	6.7	7.2
Utah	5.0	9.4	3.0	3.1
Far West	**17.4**	**9.9**	**9.4**	**1.9**
California	19.3	10.7	10.2	2.2
Hawaii	4.2	4.1	5.3	(0.9)
Oregon	9.6	5.7	4.2	0.7

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

2001, the first due in April and the second due in June. The remaining two quarterly payments may vary from the first two due to changes in market conditions, tax payment rules, and other factors. There is also a large variation in the growth of estimated tax payments, with some states still seeing double-digit gains while others experience double-digit declines. However, a look at the underlying numbers indicates that the national average growth in the June payment was noticeably weaker than that of the April payment. This is yet another worrisome trend for state policymakers.

General Sales Tax

Sales tax revenue growth fell to only 0.5 percent in the April-June quarter, continuing the slowing of the previous four quarters. Adjusting for the few legislated cuts in the sales tax brought growth to only 0.6 percent, the slowest growth since July-September 1991. This figure is well short of the inflation rate, which means that in real terms sales tax revenue has actually decreased from last year.

Although this slowing was initially confined to a few regions of the country, including the Great Lakes, Plains, and Southeast states, it has now spread to most areas of the country. The Far West states actually posted a decline in sales tax collections in the April-June quarter compared to a year ago. In all, fourteen states experienced declines in sales tax revenues. In three of these, however, tax cuts caused part of the declines.[3] A few states managed to resist the downward trend this quarter: four states posted double-digit gains — Louisiana, Oklahoma, North Dakota, and Wyoming. Three of these states — Louisiana, Oklahoma, and Wyoming — may have benefited from the strong oil and gas sector, which buoyed their state economies.

The overall downward trend in sales tax revenues is probably largely the result of the general slowing of the economy. Consumer confidence has dropped significantly over the last year, and a negative "wealth effect" may be causing people with declining investment portfolios to defer large purchases. Moreover, consumption had been unsustainably high for some time, with ex-

Table 6. Estimated Payments/Declarations (change year-over-year)

State	*April-June 2000 to 2001*
Average	**0.0%**
Alabama	2.3
Arkansas	9.7
California	(7.8)
Colorado	(13.5)
Connecticut	3.3
Delaware	(14.7)
Hawaii	8.6
Illinois	(6.4)
Indiana	8.0
Iowa	(5.5)
Kansas	2.3
Kentucky	(5.3)
Louisiana	25.1
Maine	(0.1)
Maryland	6.9
Massachusetts	(5.3)
Michigan	(11.0)
Minnesota	(0.7)
Mississippi	8.8
Missouri	(3.1)
Montana	(0.7)
Nebraska	(0.8)
New Jersey	0.2
New Mexico	(11.2)
New York	12.7
North Carolina	(1.9)
North Dakota	10.1
Ohio	0.7
Oklahoma	18.4
Oregon	(0.6)
Pennsylvania	(2.5)
South Carolina	0.1
Vermont	(3.0)
Virginia	(2.6)
West Virginia	(10.5)
Wisconsin	(16.2)

tremely low — even negative — savings rates and very high debt.[4] Whatever its cause, this steadily slowing growth in sales tax revenues should arouse deep concern in the majority of states, since the 45 states that have a sales tax count on it for over 36 percent of their general fund tax revenues. In the six states that have a sales tax but no personal income tax — Florida, Nevada, South Dakota, Tennessee, Texas, and Washington — the sales tax accounts for between 58 and 76 percent of state tax revenues.

Corporate Income Tax

This is the third straight quarter of accelerating declines in corporate income tax revenue. Revenue in the April-June 2001 quarter fell by 13.7 percent compared to the year before. Year-over-year revenue fell by 7.7 percent in the fourth quarter of 2000 and 9.1 percent in the first quarter of 2001. These three quarters have seen the sharpest drops in corporate tax revenue since the beginning of the *State Revenue Report* ten years ago. Of the 45 states that have corporate income taxes, 35 experienced declines. States are usually not too concerned with declines in the corporate income tax since it represents a small share of most states' revenues. Historically, it has also been the most volatile of the major state-level taxes, since payments by or refunds to a small number of companies often cause large fluctuations in revenue which sometimes have little to do with the current situation of the companies or with newly legislated tax provisions. Three consecutive quarters of strong declines, however, have begun to take their toll on overall state tax revenue growth, and likely reflect weakness in corporate profits and the general economy.

Underlying Reasons for Trends

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

State Economies

The general trend toward weaker revenue growth in the states over the last two quarters parallels weakening growth in the national economy. Real GDP growth has slowed considerably from the over four percent annual pace it was maintaining in recent years. The GDP grew at a 1.3 percent annual rate in the first quarter of 2001, but the latest estimate for the second quarter was only 0.2 percent.[5] Meanwhile, unemployment has been increasing, especially in the manufacturing sector.[6]

Table 7. Year-Over Change In Non-Farm Employment by State, Last Four Quarters

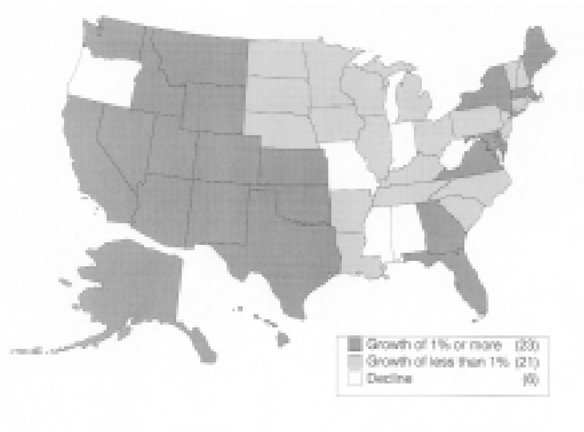
	2000		*2001*	
	July-Sept.	*Oct.-Dec*	*Jan.-Mar.*	*Apr.-June*
United States	**2.1%**	**1.6%**	**1.2%**	**0.5%**
Sum of States	**2.4**	**2.2**	**2.0**	**1.2**
New England	**2.2**	**2.2**	**1.9**	**1.0**
Connecticut	1.4	1.4	0.9	0.4
Maine	2.8	2.5	2.3	1.3
Massachusetts	2.4	2.7	2.4	1.5
New Hampshire	2.2	2.1	2.0	0.8
Rhode Island	2.1	1.4	1.4	0.4
Vermont	2.1	1.7	1.3	0.6
Mid Atlantic	**2.1**	**2.0**	**1.7**	**0.9**
Delaware	1.6	1.8	1.6	1.4
Maryland	2.7	2.2	2.3	1.0
New Jersey	2.2	2.2	1.7	0.8
New York	2.1	1.9	1.7	1.2
Pennsylvania	1.9	2.0	1.5	0.6
Great Lakes	**1.4**	**0.9**	**0.7**	**0.0**
Illinois	1.3	0.4	0.9	0.2
Indiana	1.3	0.6	0.0	(0.8)
Michigan	1.9	1.8	0.9	0.0
Ohio	1.2	0.9	0.6	0.2
Wisconsin	1.6	1.3	1.1	0.3
Plains	**1.3**	**1.0**	**1.1**	**0.4**
Iowa	0.5	0.6	0.8	0.5
Kansas	1.2	1.2	1.8	1.1
Minnesota	2.0	1.5	1.2	0.8
Missouri	1.0	0.7	0.7	(0.3)
Nebraska	1.7	1.3	1.3	0.2
North Dakota	0.9	0.3	1.1	0.0
South Dakota	1.1	0.7	1.3	0.1
Southeast	**2.4**	**2.2**	**2.1**	**1.3**
Alabama	0.5	0.6	0.6	(0.6)
Arkansas	1.5	1.4	1.0	0.4
Florida	3.9	3.7	3.5	3.2
Georgia	2.8	2.4	2.1	1.6
Kentucky	1.3	1.1	1.0	1.0
Louisiana	2.0	2.0	2.0	0.7
Mississippi	(0.1)	(0.2)	(0.6)	(1.4)
North Carolina	2.0	2.0	2.1	0.7
South Carolina	2.9	2.2	1.8	0.9
Tennessee	1.8	1.6	1.2	0.8
Virginia	2.9	2.4	2.5	1.7
West Virginia	1.0	1.2	1.1	(0.2)
Southwest	**3.1**	**3.0**	**2.7**	**2.0**
Arizona	3.9	3.4	2.8	1.4
New Mexico	2.0	1.9	1.7	1.6
Oklahoma	1.9	1.4	1.6	1.0
Texas	3.2	3.2	2.9	2.3
Rocky Mountain	**3.4**	**3.6**	**3.2**	**2.1**
Colorado	4.1	4.3	4.0	2.4
Idaho	3.7	3.8	2.7	1.4
Montana	2.2	2.4	2.1	1.5
Utah	2.8	2.8	2.4	1.8
Wyoming	2.2	2.4	2.4	2.3
Far West	**3.6**	**3.4**	**3.1**	**2.0**
Alaska	2.5	2.4	2.0	1.2
California	3.9	3.8	3.4	2.3
Hawaii	3.3	3.0	2.9	1.6
Nevada	4.7	4.6	5.0	4.4
Oregon	1.7	1.3	1.2	(0.3)
Washington	2.5	2.3	2.0	1.1

One problem with assessing state economies in a report such as this is a general lack of timely state-by-state indicators. Data on non-farm employment, tracked by the Bureau of Labor Statistics, is the only broad-based, timely, high-quality state-level economic indicator available. Yet these data are a far from ideal indicator of revenue growth. For one thing, most taxes are based upon nominal measures such as income, wages, and profits, rather than employment. Unfortunately, however, state-level data on these nominal measures — when they are available at all — usually are reported too late to be of much use in analyzing recent revenue collections. In addition, employment data can be subject to large retroactive revisions. In the past several years, these revisions have generally been upward, but they could go the other way during an economic slowdown.

Table 7 shows year-over-year employment growth for the nation and for each state during the last four quarters. Figure 6 maps the first quarter 2001 employment growth in the states over the same period last year. According to the Bureau of Labor Statistics' national data, employment in the April-June quarter grew 0.5 percent over last year. This represents drastic slowing over the last four quarters from 2.1 percent in July-September 2000. These numbers, however, are subject to considerable revision, which is part of the reason why the sum of the state employment figures does not equal the national figure. Despite these caveats, the numbers do point to an underlying economic cause for much of the revenue weakness in the quarter.

For years, employment growth has been most rapid in the western states; that trend continues this quarter. Even in the western states, however, employment growth has dropped noticeably over the last year. While employment growth was between two and 2.1 percent in the Southwest, Rocky Mountain, and Far West states, it had been a percentage point or more higher in each region in the previous quarters. Meanwhile, in the Great Lakes states, which have long experienced rather sluggish job

Figure 6
Change in Non-Farm Employment
April-June 2000 to 2001



growth, no increase occurred in the April-June quarter compared to the previous year.

Only two states — Florida, and Nevada — saw employment growth of three percent or more. This is down from four states in the previous quarter, and eight the quarter before that. Twenty-seven states had employment growth of less than one percent in the April-June quarter, up from nine the quarter before. Six states had employment declines, up from one — Mississippi — in the previous three quarters.

Nature of the Tax System

Even if the economy were growing at an even pace across all regions and sectors, revenues would vary because states' tax systems do not all react to similar economic situations in the same way. States that rely heavily on the personal income tax tend to have larger revenue increases during periods of economic growth. The more progressive the tax structure is, the faster tax revenue grows relative to income, especially if the state's tax brackets are not indexed to offset the effects of inflation. States that rely mostly on sales taxes do not see this same elastic revenue growth, and those few that rely almost exclusively on corporate income or severance taxes often see wild swings in revenue. (Severance taxes are taxes on the removal of natural resources, such as oil and lumber.)

These patterns have played out particularly strongly over the course of the past few years. Most states with personal income taxes have had extremely strong growth, partly because the incomes of upper-income (and thus upper-bracket) taxpayers have been growing at a much more rapid pace than those of middle-income taxpayers. Because their incomes are based more heavily upon volatile sources, such as stock options and capital gains, growth in personal income tax revenues has also been far more subject to wild swings than it would otherwise be. A market downturn that affects relatively few wage earners could turn gains into losses for investors, thus sharply contracting a hitherto rich source of revenue almost overnight; this is why many revenue estimators had been looking to April with some trepidation.

States are also learning about how sales tax revenues respond to an economic slowdown. States that have removed more stable elements of consumption, such as groceries and clothing, from their bases, as well as those that do not capture spending on services well in their bases, are more subject to plunges in sales tax revenues as state residents become nervous about spending on optional and big-ticket items.

Finally, the recent high oil prices have been a revenue boon for many oil-producing states, such as Alaska, New Mexico, Oklahoma, and Texas. On the other hand, the higher costs of energy and transportation have been a drag on the economies of other states, and have led to extra expenses for state governments.

Tax Law Changes Affecting This Quarter

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

In the April-June 2001 quarter, a fair number of tax cuts affected revenue, including many new deductions, credits, and exemptions that decreased personal income tax final payments. Altogether, tax cuts reduced net revenue growth in the quarter by $2.3 billion. Without these cuts, tax revenue growth would have been 4.2 percent instead of 2.6 percent.

Almost two-thirds of these cuts — amounting to nearly $1.5 billion — were to the personal income tax. Eleven states had cuts that reduced growth in the personal income tax by three percent or more.[7] California, Colorado, Michigan, Ohio, and Wisconsin cut taxes by over $100 million each. But not every change in the personal income tax was a cut. Two states, Kansas and Louisiana, had personal income tax increases affecting this quarter.

The rest of the tax cuts were spread over many states and kinds of taxes. Other states with large net tax cuts affecting this quarter include Connecticut, Florida, New York, Pennsylvania, and Texas.

Tax Law Changes in 2001

Although over the last several years states have enacted large net tax cuts, this year the slowing of the economy and of revenue growth has put a damper on further tax cutting. And while states have restrained spending and made other adjustments to close budget gaps, they have not generally gone in for significant tax increases this year. Almost all states have completed work on their budgets for the next fiscal year, so we can begin to get a good sense of how significant changes in tax laws will affect state revenues.

Table 8 shows that in 2001 states enacted significant tax cuts that should reduce fiscal 2002 state revenues by about $1 billion. The $133 million cut shown for Minnesota is the net incremental effect of the sales tax rebate that the state enacted this year. The rebate totals $791 million, but the state distributed a $658 million rebate last year, so this new rebate will reduce fiscal 2002 revenues by only $133 million year-over-year. In addition to this, the state is paying for about $700M more a year in education funding from existing state revenues, while requiring localities to cut taxes by the same amount. A number of smaller tax cuts in other states did not meet our test for inclusion in our calculations because they did not amount to at least one percent of state general fund revenues.

Table 9 shows the states that have enacted significant tax increases in 2001, and how much impact these increases will have in the coming fiscal year or biennium. No state made a significant increase in its personal income or sales taxes. This may change when North Carolina completes work on its delayed budget, since the legislature there has passed a sales tax increase. The New Hampshire tax increase is for court-mandated education funding. We predicted in the last *State Revenue Report* that Tennessee would increase taxes to balance its budget; instead, the state used all of the tobacco settlement money it has received to date and will receive in the next fiscal year.

Table 8
Significant Tax Cuts Enacted In 2001

State	*Impact on FY 2002*	*Type*
Arizona	$62 Million	PIT and CIT cuts — some contingent on revenues
Connecticut	$111 Million	Hospital Servies Sales Tax
Florida	$175 Million	Package including $150 million Intangible Personal Property Tax cut
Georgia	$166 Million	Expanded Homestead Exemption
Idaho	$95 Million	Package including $58 million PIT Rate Cut
Minnesota	$133 Million	Net effect of Sales Tax Rebate
Oklahoma	$ 46 Million	PIT Rate Cut and Earned Income Tax Credit
Pennsylvania	$237 Million	Package of PIT, sales, and business tax cuts
Total	$1,025 Million	

Table 9
Significant Tax Increases Enacted In 2001

State	*Amount*	*Type of Tax*
Indiana	$280 Million*	Suspension of Property Tax Credit
Louisiana	$54 Million	Dockside Gambling Tax
New Hampshire	$155 Million	Net increase of tax package
New Jersey	$420 Million	Business Tax "loophole" closes
West Virginia	$123 Million	Video Poker Tax
Approximate Annual Total	$892 Million	

All amounts are for FY 2002 except * (Indiana) which is FY 2002-2003 biennial effect, used $140 million estimated annual effect in total.

At this point, it is not entirely clear if tax cuts will exceed tax increases, or vice versa. Yet, even if 2001 turns out to be the eighth straight year of net tax cuts, it will remain notable because tax cuts and increases will be more evenly balanced than in recent years.

Conclusions

We have now seen three quarters in a row of steadily weakening state tax revenue growth. The weakening growth in the April-June quarter is especially significant because in recent years this quarter has been the time when many states have reaped windfalls from final payments with personal income tax returns. While final returns were strong again this April, every other major category of state tax revenue was growing only weakly or even declining. Estimated tax payments are down slightly from last year, and corporate income tax collections have declined sharply. These numbers, however, are not reliable clues to true economic conditions. Unfortunately, the more reliable indicators, personal income tax withholding and the sales tax, both continued a yearlong decline in growth.

In general, states have responded to this slowing growth and the generally weak economic climate by enacting fewer and smaller tax cuts than in previous years. As of now few states have enacted tax increases; however, a continuation of weak economic and revenue growth will confront states with unpleasant choices.

Endnotes

1 California, Georgia, Louisiana, Maine, Minnesota, New York, North Carolina, North Dakota, and Oklahoma.

2 The states that had large personal income tax cuts affecting withholding were: Illinois, Michigan, Minnesota, and Wisconsin.

3 States with declines were: Alabama, California, Connecticut, Florida, Illinois, Maine, Minnesota, Nebraska, New York, North Carolina, South Carolina, Vermont, West Virginia, and Washington. The declines in Maine, New York, and South Carolina resulted from tax cuts. A tax cut in Connecticut accounted for much of its total decrease.

4 See Donald J. Boyd, "Fiscal Issues and Risks at the Start of a New Century," The Nelson A. Rockefeller Institute of Government: www.rockinst.org.

5 United States Department of Commerce, Bureau of Economic Analysis News Release, August 29, 2001.

6 United States Department of Labor, Bureau of Labor Statistics, *The Employment Situation, July 2001.*

7 California, Colorado, Delaware, Idaho, Illinois, Maine, Maryland, Michigan, Minnesota, Ohio, and Wisconsin.

Table 10
Change in Tax Revenue, July-June, FY 2000 to FY 2001

	PIT	*CIT*	*Sales*	*Total*
United States	**7.5%**	**(7.2)%**	**3.1%**	**4.5%**
New England	**10.5**	**(12.6)**	**3.9**	**5.9**
Connecticut	12.9	(7.0)	2.8	5.3
Maine	8.7	(35.9)	(3.5)	(0.1)
Massachusetts	9.5	(16.4)	5.3	6.6
New Hampshire	NA	17.0	NA	4.7
Rhode Island	12.4	(10.7)	12.6	10.8
Vermont	12.0	(0.2)	(0.6)	5.1
Mid Atlantic	**11.4**	**(9.2)**	**3.1**	**5.8**
Delaware	(2.0)	(41.7)	NA	0.0
Maryland	7.6	17.4	6.6	7.1
New Jersey[1]	13.4	(7.8)	5.1	7.3
New York	13.5	(9.5)	1.5	7.3
Pennsylvania	6.0	(13.8)	2.6	1.4
Great Lakes	**(2.8)**	**(10.4)**	**0.8**	**(1.5)**
Illinois	4.0	(16.2)	(1.2)	0.6
Indiana	0.7	(11.3)	1.0	0.6
Michigan	(6.2)	(6.2)	1.7	(2.1)
Ohio	0.4	(5.6)	0.4	0.2
Wisconsin	(15.1)	(17.2)	2.9	(9.3)
Plains	**6.0**	**(11.2)**	**1.5**	**3.7**
Iowa	2.1	(12.6)	1.7	0.7
Kansas	6.6	(15.3)	0.5	3.2
Minnesota	6.8	(9.9)	1.3	4.9
Missouri	7.4	(17.8)	1.7	4.0
Nebraska	4.5	(1.4)	0.5	2.2
North Dakota	7.2	15.5	4.1	7.3
South Dakota	NA	NA	5.0	4.1
Southeast	**5.1**	**(12.0)**	**2.9**	**3.0**
Alabama	(1.1)	(23.5)	(0.5)	(0.9)
Arkansas	5.4	(7.4)	2.7	3.3
Florida	NA	(4.4)	1.4	2.2
Georgia	8.8	(1.8)	6.5	6.4
Kentucky	2.8	(5.4)	2.5	2.5
Louisiana	8.9	28.0	15.4	10.4
Mississippi	3.0	(4.5)	1.2	2.0
North Carolina	4.3	(43.2)	2.3	1.2
South Carolina	2.2	2.7	1.3	1.7
Tennessee	NA	9.7	1.4	1.3
Virginia	5.8	(35.7)	3.2	3.1
West Virginia	5.0	(3.5)	1.4	3.1
Southwest	**4.3**	**4.1**	**5.2**	**7.0**
Arizona	0.5	3.4	5.5	2.9
New Mexico	4.1	36.4	9.9	14.8
Oklahoma	8.6	(20.3)	6.5	8.8
Texas	NA	NA	4.7	6.8
Rocky Mountain	**5.7**	**6.8**	**5.1**	**5.8**
Colorado	6.1	7.6	5.4	6.2
Idaho	6.7	12.8	3.7	6.9
Montana	7.7	14.3	NA	8.9
Utah	3.4	(2.3)	4.4	3.7
Wyoming	NA	NA	11.3	4.2
Far West	**13.1**	**1.5**	**4.0**	**8.7**
Alaska	NA	78.0	NA	10.8
California	13.8	(0.7)	4.3	9.6
Hawaii	3.8	(11.0)	6.7	6.2
Nevada	NA	NA	5.3	4.6
Oregon	9.2	(2.3)	NA	8.0
Washington	NA	NA	1.7	3.7

Table 11
State Tax Revenue, April to June 2000 and 2001 (In Millions of Dollars)

	2000				*2001*			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$64,293**	**$11,342**	**$43,305**	**$139,870**	**$67,887**	**$9,789**	**$43,515**	**$143,437**
New England	**5,083**	**680**	**2,223**	**9,436**	**5,513**	**496**	**2,227**	**9,765**
Connecticut	1,335	201	791	2,727	1,465	142	779	2,790
Maine	413	44	272	873	459	35	266	899
Massachusetts	2,921	322	943	4,670	3,137	215	954	4,855
New Hampshire	NA	63	NA	345	NA	68	NA	347
Rhode Island	265	34	160	560	291	22	174	604
Vermont	150	15	58	262	162	15	55	270
Mid Atlantic	**13,045**	**2,119**	**5,396**	**23,729**	**14,275**	**1,792**	**5,468**	**24,728**
Delaware	212	52	NA	520	200	23	NA	503
Maryland	1,577	171	627	2,584	1,652	160	646	2,687
New Jersey[1]	1,911	415	915	3,712	2,054	343	959	3,838
New York	6,948	763	2,055	11,087	7,880	694	2,045	11,939
Pennsylvania	2,397	718	1,799	5,826	2,488	573	1,819	5,762
Great Lakes	**10,143**	**2,147**	**6,779**	**22,065**	**9,519**	**1,964**	**6,832**	**21,461**
Illinois	2,703	513	1,555	5,601	2,786	433	1,507	5,577
Indiana	1,200	421	928	3,226	1,246	373	933	3,258
Michigan	2,060	664	1,920	5,454	1,912	598	1,965	5,292
Ohio	2,387	378	1,526	4,767	2,282	442	1,541	4,814
Wisconsin	1,794	172	850	3,016	1,293	117	886	2,521
Plains	**4,806**	**698**	**2,956**	**9,274**	**5,071**	**548**	**2,979**	**9,477**
Iowa	739	124	407	1,393	744	104	426	1,407
Kansas	690	118	414	1,291	718	95	423	1,321
Minnesota	1,374	200	1,274	3,129	1,519	151	1,246	3,246
Missouri	1,516	180	446	2,315	1,590	125	461	2,349
Nebraska	407	48	232	754	409	39	227	739
North Dakota	82	28	76	236	91	34	88	263
South Dakota	NA	NA	106	155	NA	NA	109	152
Southeast	**10,189**	**2,248**	**10,886**	**28,293**	**10,918**	**2,017**	**10,982**	**29,186**
Alabama	778	88	431	1,673	762	71	431	1,721
Arkansas	557	110	422	1,164	590	89	437	1,198
Florida	NA	582	3,653	5,476	NA	529	3,606	5,570
Georgia	1,714	278	1,255	3,567	1,917	265	1,290	3,756
Kentucky	858	125	648	1,863	861	117	671	1,889
Louisiana	548	169	528	1,698	660	164	605	1,900
Mississippi	403	86	579	1,387	417	67	589	1,406
North Carolina	2,145	222	887	3,559	2,422	138	868	3,775
South Carolina	700	57	525	1,444	674	51	512	1,423
Tennessee	NA	199	1,158	2,251	NA	308	1,169	2,298
Virginia	2,152	293	553	3,385	2,268	177	562	3,419
West Virginia	333	40	246	827	346	42	245	831
Southwest	**1,602**	**358**	**5,711**	**11,922**	**1,625**	**303**	**5,923**	**12,500**
Arizona	631	230	746	1,744	662	189	768	1,763
New Mexico	334	56	294	822	260	57	322	824
Oklahoma	638	72	353	1,280	703	58	396	1,394
Texas	NA	NA	4,318	8,076	NA	NA	4,437	8,519
Rocky Mountain	**2,352**	**306**	**1,048**	**4,363**	**2,346**	**316**	**1,084**	**4,464**
Colorado	1,257	129	457	1,883	1,232	153	473	1,896
Idaho	355	56	187	739	364	41	193	759
Montana	190	35	NA	458	193	51	NA	522
Utah	550	86	348	1,103	557	70	354	1,100
Wyoming	NA	NA	55	180	NA	NA	64	188
Far West	**17,072**	**2,788**	**8,307**	**30,788**	**18,621**	**2,353**	**8,021**	**31,855**
Alaska	NA	145	NA	423	NA	176	NA	334
California	15,392	2,429	5,976	24,484	16,939	2,007	5,677	25,527
Hawaii	279	37	394	788	284	29	408	818
Nevada	NA	NA	501	577	NA	NA	530	643
Oregon	1,402	177	NA	1,617	1,398	141	NA	1,584
Washington	NA	NA	1,436	2,900	NA	NA	1,406	2,948

Table 12
State Tax Revenue, July to June Fiscal Years 2000 and 2001 (In Millions of Dollars)

	2000				2001			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$195,031**	**$32,347**	**$165,817**	**$465,001**	**$209,638**	**$30,026**	**$170,961**	**$486,031**
New England	**14,900**	**1,945**	**8,023**	**29,856**	**16,461**	**1,700**	**8,338**	**31,603**
Connecticut	3,540	386	2,767	8,084	3,995	359	2,844	8,514
Maine	1,075	150	847	2,440	1,168	96	818	2,437
Massachusetts	9,042	1,131	3,565	15,614	9,903	945	3,756	16,647
New Hampshire	NA	169	NA	1,075	NA	198	NA	2,126
Rhode Island	812	68	627	1,782	912	61	706	1,975
Vermont	432	41	217	862	484	41	215	905
Mid Atlantic	**42,594**	**7,031**	**22,041**	**84,455**	**47,430**	**6,383**	**22,730**	**89,322**
Delaware	733	106	NA	1,717	718	62	NA	1,717
Maryland	4,419	420	2,240	7,708	4,755	493	2,389	8,255
New Jersey[1]	6,251	1,168	4,507	14,165	7,090	1,077	4,738	15,204
New York	24,125	3,478	8,276	41,055	27,375	3,149	8,399	44,055
Pennsylvania	7,066	1,860	7,018	19,811	7,492	1,603	7,204	20,091
Great Lakes	**32,005**	**6,401**	**26,340**	**76,449**	**31,119**	**5,736**	**26,542**	**75,293**
Illinois	8,273	1,527	6,065	18,792	8,607	1,279	5,992	18,912
Indiana	3,753	950	3,687	10,981	3,780	843	3,723	11,043
Michigan	7,199	2,302	7,533	21,006	6,752	2,159	7,659	20,571
Ohio	7,232	969	5,914	15,618	7,263	915	5,936	15,650
Wisconsin	5,548	652	3,142	10,052	4,717	541	3,232	9,117
Plains	**15,460**	**2,046**	**11,045**	**31,228**	**16,396**	**1,817**	**11,209**	**32,379**
Iowa	2,376	326	1,663	4,745	2,427	285	1,691	4,776
Kansas	1,855	250	1,650	4,018	1,977	212	1,659	4,145
Minnesota	5,559	814	4,293	11,650	5,935	734	4,350	12,227
Missouri	4,266	443	1,778	6,970	4,583	364	1,809	7,249
Nebraska	1,180	140	900	2,404	1,233	138	905	2,457
North Dakota	224	73	330	827	241	84	344	887
South Dakota	NA	NA	430	614	NA	NA	451	639
Southeast	**33,522**	**6,092**	**41,807**	**97,683**	**35,217**	**5,364**	**43,009**	**100,588**
Alabama	2,439	261	1,716	6,022	2,413	199	1,707	5,965
Arkansas	1,713	255	1,668	3,882	1,806	236	1,713	4,010
Florida	NA	1,407	13,767	18,906	NA	1,345	13,957	19,320
Georgia	6,365	738	4,814	13,026	6,926	725	5,126	13,862
Kentucky	2,702	306	2,581	6,610	2,779	290	2,645	6,775
Louisiana	1,597	223	2,086	5,379	1,738	285	2,407	5,936
Mississippi	1,256	327	2,287	5,113	1,293	313	2,314	5,213
North Carolina	7,209	1,074	3,361	12,708	7,520	610	3,438	12,865
South Carolina	2,441	206	1,794	5,037	2,495	211	1,818	5,122
Tennessee	NA	614	4,590	7,574	NA	674	4,653	7,675
Virginia	6,829	566	2,202	10,722	7,226	364	2,273	11,054
West Virginia	972	117	942	2,705	1,021	113	956	2,790
Southwest	**5,159**	**884**	**21,969**	**40,684**	**5,379**	**920**	**23,111**	**43,513**
Arizona	2,289	523	2,829	6,016	2,301	541	2,985	6,194
New Mexico	870	161	1,174	2,657	906	220	1,290	3,050
Oklahoma	1,999	200	1,391	4,414	2,172	159	1,481	4,804
Texas	NA	NA	16,575	27,597	NA	NA	17,356	29,465
Rocky Mountain	**6,813**	**696**	**4,167**	**13,651**	**7,200**	**743**	**4,380**	**14,442**
Colorado	3,676	300	1,848	5,986	3,901	322	1,949	6,358
Idaho	966	126	747	2,298	1,031	142	775	2,457
Montana	516	91	NA	1,129	556	104	NA	1,229
Utah	1,655	179	1,370	3,677	1,712	175	1,430	3,814
Wyoming	NA	NA	203	561	NA	NA	225	584
Far West	**44,578**	**7,253**	**30,425**	**90,996**	**50,437**	**7,364**	**31,643**	**98,891**
Alaska	NA	224	NA	1,104	NA	398	NA	1,224
California	39,348	6,579	21,169	69,710	44,784	6,532	22,079	76,436
Hawaii	1,065	68	1,536	2,972	1,105	61	1,640	3,158
Nevada	NA	NA	1,942	2,486	NA	NA	2,044	2,601
Oregon	4,166	382	NA	4,686	4,548	373	NA	5,063
Washington	NA	NA	5,778	10,038	NA	NA	5,879	10,410

Technical Notes

This report is based on information collected from state officials, most often in state revenue departments, but in some cases from state budget offices and legislative staff. This is the latest in a series of such reports published by the Rockefeller Institute's Fiscal Studies Program (formerly the Center for the Study of the States).

In most states, revenue reported is for the general fund only, but in several states a broader measure of revenue is used. The most important category of excluded revenues in most states is motor fuel taxes. Taxes on health-care providers to fund Medicaid programs are excluded as well.

California: Non-general fund revenue from a sales tax increase dedicated to local governments is included.

Michigan: The Single Business Tax, a type of value-added tax, is treated here as a corporation income tax.

Several caveats are important. First, tax collections during a period as brief as three months are subject to influences that may make their interpretation difficult. For example, a single payment from a large corporation can have a significant effect on corporate tax revenues.

Second, estimates of tax adjustments are imprecise. Typically the adjustments reflect tax legislation, however they occasionally reflect other atypical changes in revenue. Unfortunately, we cannot speak with every state in every quarter. We discuss tax legislation carefully with the states that have the largest changes, but for states with smaller changes we rely upon our analysis of published sources and upon our earlier conversations with estimators.

Third, revenue estimators cannot predict the quarter-by-quarter impact of certain legislated changes with any confidence. This is true of almost all corporate tax changes, which generally are reflected in highly volatile quarterly estimated tax payments; to a lesser extent it is true of personal income tax changes that are not implemented through withholding.

Finally, many other non-economic factors affect year-over-year tax revenue growth: changes in payment patterns, large refunds or audits, and administrative changes frequently have significant impacts on tax revenue. It is not possible for us to adjust for all of these factors.

This report contains first calendar quarter revenue data for 50 states, although Missouri only had data for its three major taxes, so no totals are included.

About The Nelson A. Rockefeller Institute of Government's Fiscal Studies Program

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all 50 states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others. Donald J. Boyd, who has spent two decades analyzing state and local fiscal issues, is director of Fiscal Studies.

This report was written by Nicholas W. Jenny and Donald J. Boyd. Mr. Jenny is a policy analyst with the Program and Mr. Boyd is Deputy Director of the Rockefeller Institute. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report, with assistance from Michele Charbonneau.

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