STATE REVENUE REPORT

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A Second Quarter of Decline in State Tax Revenue

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HIGHLIGHTS

- State tax revenue in the October-December 2001 quarter declined by 2.7 percent compared to the same period in 2000.
- A sharply worsening trend in estimated payments of income taxes — the latest payment declined by over 26 percent — points to potential bad news when tax returns are filed in April, and a worsening of the state budget picture despite the improving economy.
- After adjusting for tax law changes and inflation, real underlying state tax revenue declined by 4.1 percent.
- This was the second straight quarter of revenue decline, resulting from the national recession and sharp declines in stock market related income.
- Many governors have proposed using budget reserves and reducing expenditures as the primary means of closing budget gaps, a few increases, mostly of taxes, with narrow bases.
- Personal income tax revenue declined by 2.7 percent, the second straight quarter of decline.
- The corporate income tax continued its five-quarter-long collapse, declining by over 30 percent. It now accounts for less than four percent of total state tax revenue.
- The sales tax grew by one percent, a good sign, even though it was less than the inflation rate.

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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*
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
July-Sept.	(3.1)	(2.4)	2.7	(5.0)
Oct.-Dec.	(2.7)	(2.3)	1.9	(4.1)

Note: Inflation is measured by the Consumer Price Index. Please call Fiscal Studies Program for pre-1995 data.

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

	PIT	*CIT*	*Sales*	*Total*
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
July-Sept.	(3.4)	(25.5)	0.0	(3.1)
Oct.-Dec.	(2.7)	(31.8)	1.0	(2.7)

Note: Please call Fiscal Studies Program for pre-1995 data.

Introduction

During the October-December quarter of 2001 state tax revenue continued the sharp and widespread decline that began the previous quarter. With two consecutive bad quarters, it is now apparent that fiscal 2002 revenue collections will fall well short of original estimates and of what states need to pay for current commitments. State tax revenue declined by 2.7 percent for the quarter. Though still substantial, this is a slightly smaller decline than in the July-September quarter. Personal income tax revenue was down by 2.7 percent, the second straight quarter of decline in the largest state tax revenue source. Sales tax revenue was up only one percent, less than the inflation rate. Meanwhile, corporate income tax revenue was down a staggering 31.8 percent, making this the fifth straight quarter of accelerating declines. Corporate income taxes now make up less than four percent of state tax revenues. When adjusted to reflect the effects of legislated tax changes and inflation, real state tax revenue declined by 4.1 percent.

Despite some signs in the early months of 2002 that the national economy may be beginning to recover from the recession, personal income tax returns — due in April in most states — are unlikely to generate anywhere near the revenue of previous years. Considerable weakness in employment may also cause any revenue recovery to trail the economic recovery.

Tax Revenue Growth

Table 1 shows tax revenue growth for the last 28 quarters before and after adjusting for legislated tax changes and inflation. The nominal 2.7 percent decline in the October-December quarter, which was slightly less than the 3.1 percent decline in the previous quarter, was also only the second quarter of year-over-year nominal decline since the Rockefeller Institute began to track state revenues in 1990. The net legislated tax changes this quarter were smaller than last quarter, so the adjusted decline of 2.3 percent was almost as great as the 2.4 percent decline in the July-September quarter. Adjusting for inflation brought the real decline to 4.1 percent. Declining inflation helped decelerate the drop from the five percent decline the quarter before; nevertheless, these figures still represent quite a blow to state budgets.

The decline in the October-December quarter was by far the sharpest in the Far West, which had an 11.4 percent decline in tax collections. In the Rocky Mountain, New England, and Southwest regions tax revenue declined faster than the national average. Meanwhile, the Great Lakes region showed moderate growth. Some of the decline in the New England, Rocky Mountain, and Far West states resulted from tax cuts. On the other hand, the Southwest states had a significant net tax increase. We also note that the growth in the Great Lakes states came after a weak quarter last year, while the weakness in the Southwest, Rocky Mountain, and Far West states followed very strong quarters a year ago. (See Table 3 and Figures 3 and 4.)

Table 2 shows the last 28 quarters of changes in state collections for all the major taxes. In the October-December 2001 quarter the personal income tax declined for a second quarter, while the corporate income tax continued in what now appears to be a complete collapse. (Also see Figure 5.) The sales tax, however, has staged a slight rally up to one percent growth. In Table 4, we adjust for the effects of legislated tax changes. This changes the magnitude, but not the direction, of these trends.

Personal Income Tax

One year ago we first saw a slowing in what had been a remarkably high level of growth in personal income tax collections over the late 1990s and into 2000. At the time, we wondered if it was a short-term blip, the beginning of a period of slower growth, or the start of a slide into a recession. It turned out to be the latter. Now we are seeing the second straight quarter of decline in state personal income tax revenue, which had never declined since we began tracking it in 1990.

The decline in personal income tax revenue in the fourth quarter of calendar 2001 was 2.7 percent, second only to the third quarter's 3.7 percent decline as the worst of the last decade. After adjusting for tax cuts and a large rebate in Oregon, the decline was still 2.1 percent. The worst decline was in the Far West, where the overall percentage decline

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

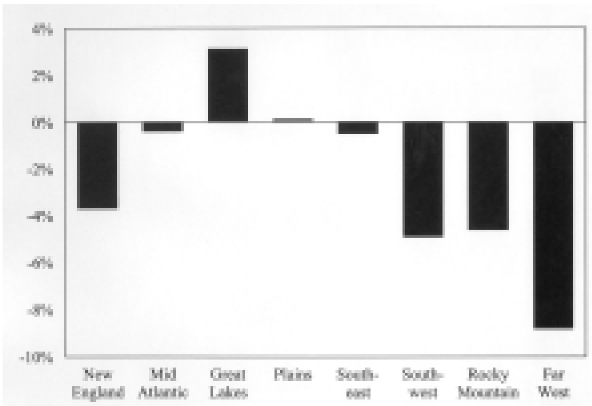


Figure 4
Change in Quarterly Tax Revenue by State, Adjusting for Legislated Changes, October-December 2000 to 2001

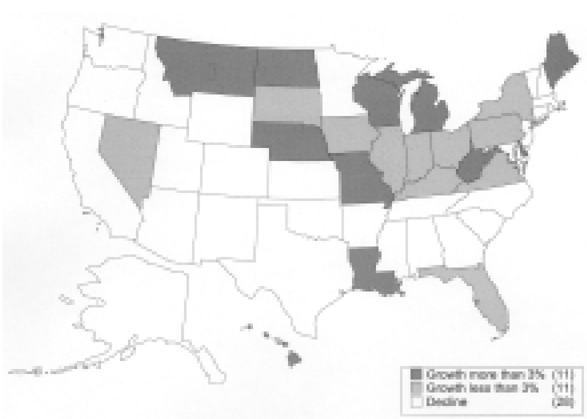


Figure 5
Change in Quarterly Tax Revenue by Tax, Last Four Quarters

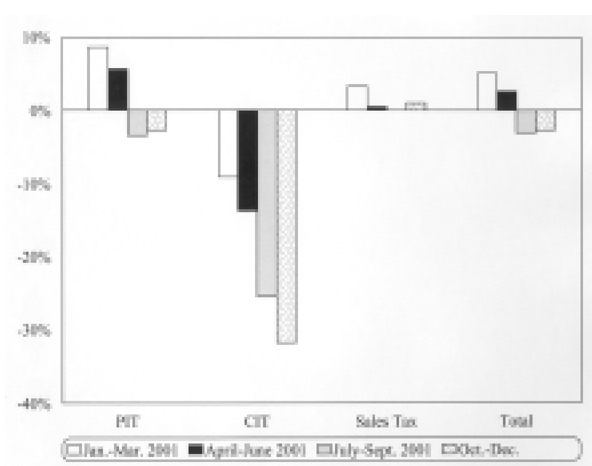


Table 3. Percent Change in Quarterly Tax Revenue by State, October-December 2000 to 2001

	PIT	*CIT*	*Sales*	*Total*
United States	**(2.7)%**	**(31.8)%**	**1.0%**	**(2.7)%**
New England	**(0.4)**	**NM**	**(0.7)**	**(4.7)**
Connecticut	6.6	NM	(4.4)¶	(3.9)
Maine	6.2	(15.1)	4.6	5.5
Massachusetts	(3.0)¶	(96.7)	1.8	(7.0)
New Hampshire	NA	(34.4)*	NA	1.0*
Rhode Island	(8.3)	NM	(4.4)	(7.6)*
Vermont	(6.8)	(11.0)	3.3	(0.6)
Mid-Atlantic	**(0.7)**	**(22.9)**	**1.8**	**(0.9)**
Delaware	1.6	8.9	NA	6.8
Maryland	0.1	(74.6)*	1.1	(1.6)
New Jersey	(14.0)	(19.7)¶	(0.6)	(7.8)
New York	2.0	(23.5)¶	3.0	0.7
Pennsylvania	3.1	(10.8)	2.6	1.4
Great Lakes	**2.7**	**(18.5)**	**6.9**	**3.4**
Illinois	3.6	(8.1)	5.3*	3.9*
Indiana	1.2	(12.4)	5.2	2.7
Michigan	(1.7)	(9.1)¶	7.3	3.1
Ohio	5.0	NM	5.6	1.6
Wisconsin	5.4	(32.8)	13.0	6.5
Plains	**0.9**	**(22.3)**	**2.0**	**(0.8)**
Iowa	3.1	(13.4)	0.5	0.8
Kansas	0.3	NM	7.7	(2.5)
Minnesota	(5.3)	(34.4)	(1.5)¶	(2.1)¶
Missouri	8.5	34.3	3.0	NA
Nebraska	4.1	(23.7)	5.3	3.2
North Dakota	5.7	(23.7)	13.1	8.4
South Dakota	NA	NA	2.5	(1.0)
Southeast	**0.9**	**(5.9)**	**0.4**	**0.0**
Alabama	(5.0)	(16.3)	1.3	(3.0)
Arkansas	2.7	5.2	2.3*	1.5*
Florida	NA	(14.9)	(0.5)	0.0
Georgia	(1.7)	(23.6)	(3.9)	(5.9)
Kentucky	2.7	(16.9)	4.8*	2.6
Louisiana	10.6	114.1	3.9*	7.3
Mississippi	1.6	(51.1)	3.4	(0.6)
North Carolina	(0.5)	98.4	0.4*	1.0*
South Carolina	(0.5)	(81.6)	(2.5)	(3.9)
Tennessee	NA	(73.1)	0.0	(2.7)
Virginia	2.3	38.6	2.7	2.5
West Virginia	17.0	41.9	4.5	9.7
Southwest	**1.6**	**(66.4)**	**2.5**	**(3.6)**
Arizona	(2.6)	(77.6)¶	(1.2)*	(7.6)*
New Mexico	18.5*	(42.0)	2.3	0.8*
Oklahoma	0.4	9.4	4.5	(3.8)
Texas	NA	NA	2.9	(3.1)
Rocky Mountain	**(5.2)**	**(63.3)**	**0.7**	**(5.8)**
Colorado	(8.1)	(36.8)	(3.5)¶	(8.2)¶
Idaho	(9.7)¶	(82.8)¶	2.7	(14.9)¶
Montana	(4.0)	(48.5)	NA	12.3
Utah	2.4¶	(84.0)	1.0	(1.2)
Wyoming	NA	NA	21.6	(2.0)
Far West	**(13.5)**	**(53.0)**	**(4.5)**	**(11.4)**
Alaska	NA	(86.3)	NA	(60.7)
California	(12.9)	(49.1)	(6.4)¶	(12.3)¶
Hawaii	(2.9)¶	NM	3.8¶	0.0¶
Nevada	NA	NA	2.7	0.0
Oregon	(21.1)¶	(70.5)	NA	(23.1)¶
Washington	NA	NA	1.7	(0.8)

See p. 5 for notes.

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

	PIT	*Sales*	*Total*
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
July-Sept.	(2.8)	0.4	(2.4)
Oct.-Dec.	(2.1)	1.2	(2.3)

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 12.)
For pre-1995 data, call the Fiscal Studies Program.

Key to Interpreting Tables

All percent change tables are based on year-over-year changes.
* 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.
NM means not meaningful.
ND means no data.
Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1995. For data through 1990, call the Fiscal Studies Program.

reached into double digits. The Great Lakes states managed to post 2.7 percent growth, the strongest growth of any region. Three states — Louisiana, New Mexico, and West Virginia — also had double-digit growth. Part of the growth in New Mexico was from collections that the state allowed taxpayers to defer until this quarter because of forest fires earlier in the year. Three other states — California, New Jersey, and Oregon — had double-digit declines. In Oregon, the steep decline resulted from a rebate of its budget surplus. Other states where legislated tax changes reduced personal income tax revenues significantly were Hawaii, Idaho, Massachusetts, and Utah.

We can get a better idea of how things are really going by breaking down the personal income tax into its component parts: withholding, quarterly estimated tax payments, and final settlements. We will not have tax year 2001 final settlements until after taxpayers file April returns, but we now have withholding through the end of 2001 as well as fourth quarter estimated tax payment data for most states.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and because it is much less volatile than estimated/declared payments or final settlements. Table 5 shows that year-over-year withholding for the third quarter of calendar 2001 increased by 0.1 percent, a reversal of the 1.1 percent decline of the previous quarter, but far short of the robust growth of the late 1990s. Legislated tax cuts depressed withholding by only about two-tenths of a percent in October-December.[1] This is encouraging only in that there was not an actual decline in this component: It was still growing much slower than most state estimates.

Estimated Payments

The highest-income taxpayers generally pay most estimated tax payments (also known as declarations) on their non-wage income. This income is often from investments, especially capital gains realized in the stock market. Most state estimators gave much of the credit for strong state revenue growth in the late 1990s to capital gains and stock options. Over the past year or two, however, stock

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

	2001			
	Jan.-Mar.	*Apr.-June*	*July-Sept.*	*Oct.-Dec.*
United States	**6.8%**	**3.3%**	**(1.1)%**	**0.1%**
New England	**8.3**	**2.1**	**(5.4)**	**(0.6)**
Connecticut	16.3	2.0	0.2	3.7
Maine	14.3	7.1	2.3	1.0
Massachusetts	4.7	1.3	(8.8)¶	(2.6)¶
Rhode Island	11.1	4.9	0.7	(0.5)
Vermont	2.3	4.1	1.9	4.9
Mid-Atlantic	**12.5**	**4.7**	**(1.2)**	**0.3**
Delaware	7.7¶	4.0	7.6	2.9
Maryland[1]	5.3	8.7¶	1.4¶	7.2
New Jersey	5.8	4.7	(5.1)	(7.6)
New York	18.1	3.1	(1.2)	(0.3)
Pennsylvania	5.2	4.7	(1.9)	1.9
Great Lakes	**(2.1)**	**1.1**	**0.03**	**2.4**
Illinois	0.9¶	6.2¶	(1.4)	1.3
Indiana	0.0	1.0	0.2	2.3
Michigan	(5.2)¶	0.9¶	2.8	0.1
Ohio	3.1	2.5	0.3	3.3
Wisconsin	(9.7)¶	(6.5)¶	(0.9)	5.8
Plains	**5.9**	**3.5**	**1.6**	**2.4**
Iowa	2.3	4.9	0.0	1.1
Kansas	1.4	3.2	2.7	2.7
Minnesota	5.4¶	2.6¶	0.4	(1.2)
Missouri	12.2	3.7	2.7	8.1
Nebraska	3.2	4.1	5.5	3.7
North Dakota	2.5	5.9	3.0	6.2
Southeast	**5.4**	**5.4**	**2.4**	**1.6**
Alabama	0.7	3.3	4.4	(3.9)
Arkansas	3.4	6.4	5.5	2.0
Georgia	3.2	10.1	(1.9)	(0.1)
Kentucky	7.0	(0.8)	1.7	NA
Louisiana	1.2	17.0	19.7	8.5
Mississippi	0.6	3.3	3.5	1.8
North Carolina	5.7	2.3	1.7	0.4
South Carolina	5.2	2.2	2.1	2.0
Virginia	9.6	6.9	3.5	2.7
West Virginia	12.4	5.5	1.9	16.3
Southwest	**5.9**	**6.1**	**4.4**	**3.4**
Arizona	0.8	4.7	1.2	1.4
New Mexico	11.1	7.9	5.0	5.9
Oklahoma	10.3	7.0	7.9	4.8
Rocky Mountain	**5.5**	**1.6**	**(2.0)**	**(2.0)**
Colorado	7.0¶	0.4	(4.9)	(4.1)
Idaho	4.2	0.3	(7.6)¶	(10.2)¶
Montana	6.7	7.2	4.4	3.4
Utah	3.0	3.2	5.4¶	6.0¶
Far West	**9.4**	**1.9**	**(5.8)**	**(4.2)**
California	10.2	2.2	(6.7)	(5.1)
Hawaii	5.3	(0.9)	2.7¶	(1.7)¶
Oregon	4.2	0.7	(2.3)	1.2

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

prices, especially those of high-tech stocks, have fallen off their record highs. The fall in stock prices has received much of the blame for the current decline in estimated tax payments.

As shown in Table 6, estimated tax payments declined by an average of 26.6 percent for the December-January, or fourth quarter, payment compared to last year. Because some of the larger states — notably California — had very sharp declines, the median — 14.3 percent — provides a better measure of the "typical" state's decline in estimated tax payments. Some states, for example New York, granted extensions because of the September 11th attacks. These deferred payments should have shown up in the fourth quarter payment and actually inflated this payment above what it would have been. Without these deferred payments the fourth quarter would have been worse and the third quarter better. The overall downward trend in estimated payments is clear when we compare the fourth payment to the sum of all four payments made for 2001., This shows an average decline of 13.2 percent (median of 6.3 percent). Individuals making estimated tax payments have decreased their payments over the course of the year as they made better — and lower — estimates of their non-wage income. (See Table 7.) If, as is likely, final returns go the same way as withholding and estimated payments, April 2002 will not bring any help for state revenues.

General Sales Tax

Sales tax revenue experienced a slight resurgence in October-December 2001, growing by one percent. Adjusting for legislated changes brings growth up to 1.2 percent. This is the third quarter in a row in which the sales tax grew at a slower rate than the consumer price index, which means that sales tax revenues again failed to keep pace with inflation.

The Great Lakes region had the strongest sales tax growth, with 6.9 percent. Sales tax revenue declined in the Far West and New England states. North Dakota, Wisconsin and Wyoming had double-digit increases in their sales tax revenues. Eleven states had declines in sales tax revenues. In four states, these declines were due at

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

State	*April-Jan. (All 4 payments)*	*Dec.-Jan. (4th payment only)*
Average (Mean)	**(13.2)%**	**(26.6)%**
Median	**(6.3)**	**(14.3)**
Alabama	(8.7)	(18.8)
Arizona	12.4	103.3
Arkansas	1.2	(3.8)
California	(24.2)	(36.9)
Colorado	(20.1)	(27.3)
Delaware	(18.7)	(38.3)
Georgia	(8.9)	(31.5)
Hawaii	4.1	2.0
Illinois	(9.6)	(14.6)
Indiana	(2.6)	0.9
Iowa	(6.3)	(12.5)
Kansas	(2.6)	(11.8)
Louisiana	19.0	9.8
Maine	(10.4)	(22.8)
Maryland	(4.6)	(16.9)
Massachusetts	(16.5)	(35.7)
Michigan	(13.6)	(19.3)
Minnesota	(9.1)	(25.6)
Mississippi	5.5	4.3
Missouri	(11.0)	(22.0)
Montana	(0.1)	17.6
Nebraska	3.6	(8.9)
New Jersey	(20.1)	(37.0)
New Mexico	(1.3)	10.1
New York	(7.6)	(22.7)
North Carolina	(9.4)	(19.8)
North Dakota	4.4	(4.8)
Ohio	(4.8)	(13.9)
Oklahoma	5.5	(9.5)
Oregon	(7.4)	(11.9)
Pennsylvania	(6.3)	(13.8)
Rhode Island	(18.0)	(32.9)
South Carolina	(4.1)	(9.7)
Vermont	(16.2)	(40.1)
Virginia	(5.5)	(18.8)
West Virginia	1.8	1.7

least in part to legislated tax changes. [2] On the other hand, legislated tax changes were the only thing that prevented three other states from experiencing declines in their sales tax revenues this quarter. [3]

While the sales tax was the only bright spot in state revenues this quarter it was not very bright in absolute terms. Part of the increase appears to stem from a surge in auto sales during this quarter. Many of these sales were at discounted prices, which undercut marginal profits. The fact remains, however, that consumer spending is about all that is going well right now for both the economy and state revenues.

Corporate Income Tax

This is the fifth straight quarter of accelerating declines in corporate income tax revenue. Revenue in the April-June 2001 quarter fell by 31.8 percent compared to the year before. This is by far the worst decline since the beginning of the *State Revenue Report* over ten years ago. In fiscal 1990, the corporate income tax accounted for over ten percent of state tax revenue. During the 1990s the corporate income tax declined as a state tax revenue source, not growing as fast as the personal income tax or sales tax. Nevertheless, in fiscal 1999 it still accounted for over seven percent of state tax revenues. For the October-December quarter, however, the corporate income tax made up less than four percent of state tax revenues. Thus, the corporate income tax is no longer a major source of state revenue. Indeed, it currently contributes a smaller share of state tax revenues than motor fuels excise taxes.

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

There were some signs that the national economy was improving in the fourth quarter of 2001. The Bureau of Economic Affairs' preliminary estimate for the Gross Domestic Product showed growth of 1.4 percent, following only one down quarter — a 1.3 percent decrease in the third quar-

Table 7
Decline in Estimated Payments Through 2001

	Percent Change from 2000 to 2001 — All State Averages
April	8.0%
June	(2.7)
September	(11.8)
December - January	(26.6)

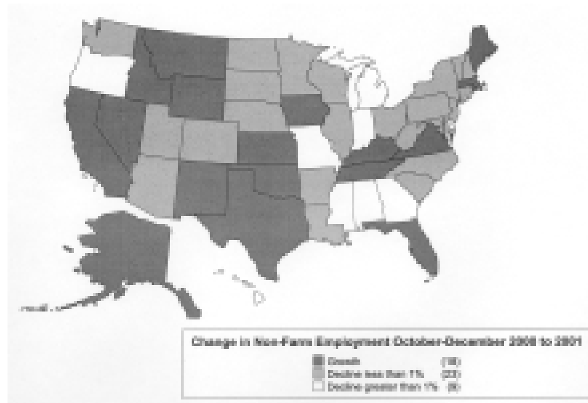
ter.[4] Unemployment increased to 5.8 percent in December 2001, but by February 2002 it had dropped to 5.5 percent — a shift that bodes well for the coming quarters.[5] If these trends continue, this may turn out to be a relatively brief and mild recession. However, recessions and recoveries can have very different timing and impacts from state to state. In order to gauge the impact of the recession on state revenues we need to look at the economy on a state-by-state basis.

One problem with assessing state economies in a report such as this is a general lack of timely state indicators. Data on non-farm employment, tracked by the Bureau of Labor Statistics, 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, 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 8 shows year-over-year employment growth for the nation and for each state during the last four quarters. Figure 6 maps the fourth 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 October-December quarter declined by 0.6 percent compared to the previous year. Before this quarter of decline, employment growth had been slowing for several quarters. These numbers are subject to revision, which is why the sums of state and national numbers differ, although both show the same downward trend.

Employment declined in every region except the Southeast and the Southwest. The largest decline was in the Great Lakes states, which is at odds with the revenue growth seen in the region this quarter. Even in the Southeast and the Southwest, the rate of employment growth slowed significantly over the course of the year. Since employment growth was generally highest in the West and South in the late 1990s, it may be useful to see if this is also where the rate of employment growth

Figure 6
Change in Non-Farm Employment
October-December 2000 to 2001



has fallen the most. As Figure 7 shows, employment growth has declined in every state, but the largest declines were in several western states, as well as Georgia and South Carolina in the Southeast and New Hampshire in New England.

Three states — Alaska, Florida, and Wyoming — had employment growth of over two percent. No state this quarter reached growth of over three percent, our usual benchmark for high employment growth. Twenty-nine states had employment declines, up from ten the previous quarter. In ten states employment was down one percent or more, up from five states the quarter before. The sharpest decline this quarter was in Oregon, where employment was down 2.2 percent.

Figure 7
Decline in Rate of Employment Growth
January-March 2001 to October-December 2001

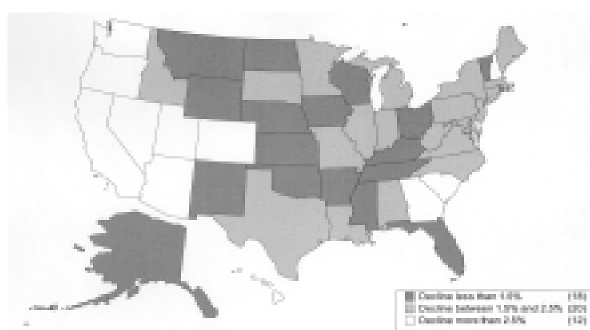


Table 8. Year-Over-Year Percentage Change In Non-Farm Employment by State, Last Four Quarters

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

Nature of the Tax System

Even if the recession were hitting all regions and states to exactly the same degree and at exactly the same time, the impact on state revenues would still vary because states' tax systems react differently to similar economic situations. States that rely heavily on the personal income tax will tend to take a harder hit from a recession that reduces income earned at the high end of the income scale, since this is the income that is taxed most heavily. This is even more evident in the case of states with more progressive income tax structures. The sales tax is very responsive to economic conditions, but is historically less elastic than the personal income tax — dropping more slowly in bad times and increasing more slowly in good times. The states that rely more on corporate income taxes or severance taxes often see wild swings in revenue that are not necessarily related to general economic conditions. (Severance taxes are taxes on the removal of natural resources, such as oil and lumber.)

The upside of these patterns played out particularly strongly over the course of the past few years. Most states with personal income taxes have had extremely strong revenue 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. In an economic downturn we tend to see the downside of this volatility. While the recent market downturn affected relatively few wage earners, it turned gains into losses for investors, thus sharply contracting a hitherto rich source of revenue almost overnight. At the same time, stock options became both rarer and less lucrative.

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, are more subject to plunges in sales tax revenues as state residents become nervous about spending on optional and big-ticket items. Thus far, however, the sales tax seems to be reacting to the latest economic downturn more moderately than the personal income or corporate income taxes.

Oil has been the wild card in state tax revenues in recent years. When the price of oil increases, it helps states such as Alaska, Oklahoma and Wyoming, which produce a lot of oil. When the price falls, as it has recently, it tends to hurt the revenues of these states.

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 changes in the manner of processing receipts have 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 October-December 2001 quarter there were relatively few tax changes affecting revenue collections compared to the last several years. The net effect of all significant tax changes this quarter was to decrease state revenues by less than $500 million.

The largest tax cuts included a temporary cut in the California sales tax that reduced revenues by $300 million. In Oregon, every two years, at the end of its biennial budget period, the state compares actual income tax revenue growth with what was projected when the budget was adopted. If revenue growth is more than two percent higher than the projection, then the entire amount over the projection is rebated. This year Oregon's "two percent kicker" resulted in a rebate of $249 million; the state paid $234 million of this in the October-December quarter. In Connecticut a number of tax cuts took effect, reducing state revenues by about $60 million.

There were only a few large tax increases affecting this quarter. In Arizona and Arkansas, voters approved referendums that increased the sales tax, raising additional revenues of about $130 million in Arizona and $45 million in Arkansas. In North Carolina revenues began to benefit from a temporary increase in the sales tax, that brought in about $60 million extra in the fourth quarter.

Governors' Proposals

When they made their State of the State addresses and presented their budget proposals early this year, the nation's governors faced serious problems. The revenue declines discussed above along with the pervasive economic weakness are forcing states to contend with budget shortfalls. Table 9 shows some of the proposals that governors have made to deal with these problems. Only ten of these proposals include tax increases, while two would delay the implementation of enacted tax cuts. Other governors continue to hope not only that their budgets can be balanced without tax increases, but also in some cases that they might even find room for tax cuts.

State legislatures are now trying to adopt budgets that will conform to the requirement that states have for balance between revenues and expenditures. If the revenue picture remains bleak, however, this will be a difficult task.

Conclusions

We have now seen two quarters of decline in state revenue. While the situation is not getting worse, it is hardly improving. The slight growth in sales tax revenues is small comfort, since weak personal income tax revenues more than offset it, and corporate income tax revenues continue to be disastrous. Furthermore, the dramatically worsening trend in estimated payments probably points to a bad April. Most states will have considerable trouble finding the revenues to finish fiscal 2002 and plan for fiscal 2003. In short, even if this turns out to be a brief and mild recession, it is hitting state revenue hard right now.

Table 9
Governor's Budget Balancing Proposals.

State	*Governor*	*Action Proposal*
Alabama	Tony Knowles (D)	$350M from resumption of PIT, $30M increase in alcohol taxes
California	Gray Davis (D)	Refinance state debt, saving $1B
Connecticut	John G. Rowland (R)	$150M from rainy day fund, $200M spending cut
Florida	Jeb Bush (R)	$1B spending cut and delay in $130M tax cut (Enacted)
Georgia	Roy Barnes (D)	$295M spending cut, use part of $740M reserve
Hawaii	Ben Cayetano (D)	Use part of $213M Hurricane Reserve Fund
Idaho	Dick Kempthrone (R)	10% state agency budget cut
Illinois	George H. Ryan (R)	Cut 3,800 state jobs
Indiana	Frank O'Bannon (D)	Cut $751M from budget, $219M from rainy day fund, increase cigarette and riverboat gambling taxes
Iowa	Tom Vilsack (D)	$120M from reserve funds, hiring freeze
Kansas	Bill Graves (R)	1% cut in state spending and $228M increase in sales, cigarette, & motor fuels taxes
Kentucky	Paul Patton (D)	Tax amnesty to raise $30M
Louisiana	Mike Foster (R)	Hiring freeze
Maine	Angus King (I)	Use $98M from rainy day fund, $13M spending cut
Maryland	Parris Glendening (D)	Delay tax cuts, use $800M from reserve funds
Massachusetts	Jane Swift (R)	$500M spending cut, $750M from rainy day fund
Minnesota	Jesse Ventura (I)	$397M increase in motor fuels and cigarette taxes, and sales tax on services; $653M from budget reserve, hiring restrictions
Mississippi	Ronnie Musgrove (D)	$117M spending cut
Missouri	Bob Holden (D)	$293M spending cut, $135M from rainy day fund, increase in cigarette tax
Montana	Judy Martz (R)	$18M spending cut
Nebraska	Mike Johanns (R)	$11M Medicaid cut
New Hampshire	Jeanne Shaheen (D)	1% agency spending cut
New Jersey	James McGreevey (D)	Cut $72M in higher education aid, $100M in operational spending; buyout to encourage state employee retirement
New Mexico	Gary Johnson (R)	$50M Medicaid cut
New York	George Pataki (R)	$1.8B from rainy day fund; increase cigarette taxes for health spending plan (Enacted)
North Carolina	Michael Easley (D)	$150M from Hurricane Floyd relief fund
Oregon	John Kitzhaber (D)	$396M in spending cuts and $244M in tax increases including increase in cigarette taxes
Pennsylvania	Mark Schweiker (R)	Use $550M from rainy day fund
Rhode Island	Lincoln Almond (R)	$21M cigarette tax increase
South Carolina	Jim Hodges (D)	Use $36M from rainy day fund
Tennessee	Don Sundquist (R)	Introduce PIT, reduce sales tax
Virginia	Mark Warner (D)	Higher education tuition increase, layoffs through attrition
Washington	Gary Locke (D)	$566M spending cut, lottery and gambling taxes, hiring freeze
West Virginia	Bob Wise (D)	Plan for 3% state agency spending cut (not needed yet)
Wisconsin	Scott McCallum (R)	Agency spending cuts of 10%

This table is not exhaustive, and includes only selected governors' proposals.

Endnotes

1 States that had significant personal income tax cuts affecting withholding were: Hawaii, Idaho, Massachusetts, and Utah.

2 California, Colorado, Connecticut, and Minnesota.

3 Arkansas, Illinois, and North Carolina.

4 United States Department of Commerce, Bureau of Economic Analysis News Release, February 28, 2002.

5 United States Department of Labor, Bureau of Labor Statistics, *The Employment Situation*, various months.

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.

Table 10
Change in Tax Revenue, July-December, FY 2001 to FY 2002

	PIT	*CIT*	*Sales*	*Total*
United States	**(3.2)%**	**(27.4)%**	**0.6%**	**(2.9)%**
New England	**(3.9)**	**(60.4)**	**(0.9)**	**(5.0)**
Connecticut	2.0	NM	(3.3)	(4.5)
Maine	2.4	(15.3)	(1.0)	0.3
Massachusetts	(6.7)	(56.4)	0.0	(7.2)
New Hampshire	NA	(28.0)	NA	3.9
Rhode Island	(5.5)	NM	3.5	(2.9)
Vermont	(0.9)	(15.2)	(1.2)	0.0
Mid Atlantic	**(2.7)**	**(22.9)**	**(0.6)**	**(3.3)**
Delaware	1.7	87.9	NA	9.4
Maryland	(1.4)	(48.9)	1.1	(2.2)
New Jersey	(10.3)	(24.5)	1.1	(5.9)
New York	(1.9)	(26.0)	(3.8)	(4.4)
Pennsylvania	0.6	(15.9)	1.5	(0.2)
Great Lakes	**0.2**	**(15.9)**	**4.3**	**1.2**
Illinois	0.3	(15.6)	3.1	0.3
Indiana	(2.6)	(9.9)	5.2	1.3
Michigan	(0.1)	(10.7)	4.9	1.2
Ohio	0.8	NM	2.0	1.1
Wisconsin	1.4	(18.9)	8.5	3.1
Plains	**0.9**	**(24.4)**	**0.9**	**(1.8)**
Iowa	2.0	(14.7)	0.4	0.4
Kansas	1.8	(67.3)	4.7	(0.5)
Minnesota	(3.3)	(33.7)	(2.4)	(4.0)
Missouri	4.9	9.2	3.0	ND
Nebraska	4.2	(27.2)	3.9	2.2
North Dakota	5.1	(13.5)	1.3	(0.1)
South Dakota	NA	NA	2.0	(0.8)
Southeast	**1.7**	**(15.0)**	**0.5**	**0.0**
Alabama	(0.1)	(26.3)	1.4	(1.0)
Arkansas	3.0	(25.2)	1.6	0.6
Florida	NA	(12.0)	1.1	0.8
Georgia	(1.9)	(42.5)	(5.0)	(6.2)
Kentucky	1.4	(16.8)	3.8	2.0
Louisiana	15.9	43.8	5.9	7.2
Mississippi	1.8	(22.3)	1.4	(0.5)
North Carolina	3.0	35.3	0.5	2.6
South Carolina	0.3	(52.8)	(2.7)	(2.0)
Tennessee	NA	(46.3)	(0.8)	(2.2)
Virginia	0.6	(24.6)	1.5	0.0
West Virginia	9.8	0.2	2.4	5.9
Southwest	**1.5**	**(35.5)**	**3.3**	**(0.4)**
Arizona	(1.8)	(45.4)	(0.5)	(4.9)
New Mexico	8.0	(27.8)	4.2	2.2
Oklahoma	2.9	10.2	4.1	(2.0)
Texas	NA	NA	3.8	0.6
Rocky Mountain	**(4.9)**	**(45.4)**	**0.8**	**(4.2)**
Colorado	(8.2)	(32.9)	(1.7)	(7.0)
Idaho	(9.5)	(70.0)	1.5	(8.7)
Montana	(0.1)	(25.5)	NA	10.0
Utah	3.6	(50.5)	0.8	(0.3)
Wyoming	NA	NA	22.1	(2.0)
Far West	**(11.5)**	**(39.5)**	**(3.4)**	**(9.9)**
Alaska	NA	(55.4)	NA	(37.7)
California	(11.1)	(37.2)	(5.4)	(10.8)
Hawaii	(0.8)	(91.9)	2.6	1.0
Nevada	NA	NA	2.0	1.9
Oregon	(18.1)	(55.7)	NA	(20.2)
Washington	NA	NA	0.3	(2.1)

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

	2000				2001			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	**$45,424**	**$6,036**	**$43,138**	**$111,016**	**$44,194**	**$4,116**	**$43,584**	**$107,977**
New England	**3,536**	**244**	**2,138**	**7,061**	**3,523**	**-4**	**2,122**	**6,729**
Connecticut	880	37	795	2,036	938	-45	760	1,956
Maine	254	24	203	555	270	20	212	585
Massachusetts	2,077	134	898	3,579	2,016	5	915	3,327
New Hampshire	NA	47	NA	258	NA	31	NA	261
Rhode Island	221	-8	187	429	202	-24	179	397
Vermont	103	10	55	204	96	9	56	203
Mid Atlantic	**10,020**	**1,491**	**5,982**	**20,230**	**9,946**	**1,150**	**6,090**	**20,048**
Delaware	183	10	NA	362	186	11	NA	386
Maryland	1,002	90	650	1,900	1,003	23	657	1,870
New Jersey	1,715	287	1,416	3,979	1,476	231	1,407	3,671
New York	5,643	785	2,134	9,805	5,758	601	2,198	9,877
Pennsylvania	1,477	320	1,782	4,184	1,523	285	1,828	4,244
Great Lakes	**7,075**	**1,129**	**6,697**	**17,957**	**7,264**	**920**	**7,158**	**18,569**
Illinois	1,724	259	1,509	4,190	1,786	238	1,589	4,354
Indiana	762	188	905	2,516	771	165	952	2,585
Michigan	1,721	540	1,969	5,251	1,692	491	2,111	5,415
Ohio	1,590	3	1,470	3,517	1,668	-67	1,552	3,572
Wisconsin	1.278	139	845	2.483	1.347	93	954	2.644
Plains	**3,450**	**394**	**2,921**	**5,773**	**3,481**	**306**	**2,981**	**5,730**
Iowa	512	64	431	1,068	528	56	433	1,076
Kansas	410	34	400	918	409	-17	431	895
Minnesota	1,347	163	1,091	2,897	1,275	107	1,075	2,836
Missouri	875	97	592	ND	949	130	610	ND
Nebraska	267	24	211	536	278	18	222	553
North Dakota	40	12	86	192	42	12	97	208
South Dakota	NA	NA	111	164	NA	NA	114	162
Southeast	**8,117**	**1,011**	**10,602**	**24,205**	**8,192**	**952**	**10,641**	**24,207**
Alabama	505	37	431	1,343	479	31	436	1,303
Arkansas	358	25	417	858	368	27	427	871
Florida	NA	330	3,398	4,629	NA	281	3,379	4,627
Georgia	1,640	158	1,258	3,323	1,612	120	1,209	3,126
Kentucky	643	58	660	1,700	660	48	692	1,745
Louisiana	356	58	580	1,818	394	125	602	1,951
Mississippi	254	58	560	1,182	258	28	579	1,179
North Carolina	1,812	96	865	3,126	1,802	190	869	3,158
South Carolina	706	53	483	1,379	702	10	471	1,326
Tennessee	NA	91	1,141	1,704	NA	24	1,141	1,658
Virginia	1,646	28	564	2,507	1,685	38	579	2,570
West Virginia	199	20	246	637	233	29	257	699
Southwest	**1,344**	**177**	**5,179**	**10,124**	**1,366**	**59**	**5,860**	**9,759**
Arizona	641	130	726	1,558	625	29	717	1,440
New Mexico	197	40	314	690	233	23	321	695
Oklahoma	506	6	354	1,098	508	7	370	1,057
Texas	NA	NA	4,324	6,778	NA	NA	4,451	6,568
Rocky Mountain	**1,710**	**148**	**1,088**	**3,443**	**1,621**	**54**	**1,095**	**3,242**
Colorado	904	52	481	1,492	831	33	464	1,369
Idaho	240	56	192	618	217	10	197	526
Montana	113	16	NA	230	108	8	NA	259
Utah	453	24	346	949	464	4	350	938
Wyoming	NA	NA	70	154	NA	NA	85	151
Far West	**10,171**	**1,442**	**7,992**	**22,223**	**8,802**	**678**	**7,637**	**19,694**
Alaska	NA	78	NA	379	NA	11	NA	149
California	8,891	1,293	5,592	16,422	7,743	658	5,233	14,404
Hawaii	269	4	395	740	261	-10	410	740
Nevada	NA	NA	518	689	NA	NA	532	689
Oregon	1,012	68	NA	1,112	798	20	NA	855
Washington	NA	NA	1,488	2,881	NA	NA	1,462	2,858

Table 12
State Tax Revenue, July to December 2001 and 2002 (In Millions of Dollars)

	2001				*2002*			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$90,230**	**$13,458**	**$84,617**	**$218,879**	**$87,347**	**$9,766**	**$85,089**	**$212,438**
New England	**6,950**	**613**	**3,972**	**13,758**	**6,676**	**243**	**3,937**	**13,064**
Connecticut	1,521	84	1,281	3,429	1,551	-22	1,238	3,276
Maine	466	44	375	1,023	478	38	371	1,025
Massachusetts	4,339	369	1,846	7,510	4,048	161	1,846	6,971
New Hampshire	NA	86	NA	518	NA	62	NA	539
Rhode Island	421	11	362	870	397	-12	374	844
Vermont	204	19	109	408	202	16	108	408
Mid Atlantic	**19,345**	**3,121**	**11,366**	**39,386**	**18,831**	**2,406**	**11,298**	**38,090**
Delaware	356	28	NA	735	362	53	NA	804
Maryland	1,806	192	1,077	3,379	1,781	98	1,089	3,304
New Jersey	2,887	587	2,376	6,892	2,588	443	2,403	6,483
New York	11,197	1,622	4,294	19,732	10,984	1,201	4,131	18,865
Pennsylvania	3,099	692	3,619	8,649	3,116	611	3,675	8,633
Great Lakes	**14,236**	**2,273**	**13,182**	**35,340**	**14,258**	**1,913**	**13,742**	**35,771**
Illinois	3,594	526	3,037	8,569	3,604	444	3,132	8,597
Indiana	1,675	393	1,811	5,219	1,631	354	1,906	5,285
Michigan	3,411	1,081	3,928	10,422	3,408	966	4,118	10,549
Ohio	3,300	-3	2,978	6,863	3,328	-75	3,036	6,941
Wisconsin	2,256	275	1,429	4,267	2,287	223	1,551	4,400
Plains	**7,101**	**896**	**5,786**	**11,687**	**7,165**	**677**	**5,839**	**11,474**
Iowa	1,045	123	860	2,151	1,066	105	864	2,159
Kansas	853	99	825	1,915	868	32	864	1,905
Minnesota	2,727	389	2,062	5,764	2,638	258	2,013	5,532
Missouri	1,834	194	1,195	ND	1,924	212	1,231	ND
Nebraska	557	63	438	1,131	580	46	455	1,155
North Dakota	86	29	173	394	90	25	175	394
South Dakota	NA	NA	233	332	NA	NA	238	329
Southeast	**16,295**	**2,293**	**21,081**	**47,659**	**16,566**	**1,948**	**21,183**	**47,683**
Alabama	1,064	95	855	2,774	1,063	70	867	2,745
Arkansas	757	95	849	1,813	780	71	862	1,824
Florida	NA	544	6,714	8,894	NA	479	6,787	8,969
Georgia	3,295	342	2,548	6,698	3,233	197	2,421	6,280
Kentucky	1,324	145	1,322	3,282	1,343	121	1,372	3,348
Louisiana	697	108	1,142	3,124	808	155	1,210	3,349
Mississippi	527	104	1,148	2,423	537	81	1,164	2,411
North Carolina	3,551	321	1,740	6,176	3,657	435	1,749	6,336
South Carolina	1,422	107	820	2,592	1,427	51	798	2,541
Tennessee	NA	224	2,330	3,557	NA	120	2,311	3,479
Virginia	3,227	153	1,138	5,053	3,247	115	1,154	5,055
West Virginia	430	54	476	1,273	473	54	488	1,348
Southwest	**2,703**	**444**	**11,432**	**20,536**	**2,744**	**287**	**11,806**	**20,452**
Arizona	1,256	309	1,465	3,174	1,234	169	1,458	3,020
New Mexico	428	84	631	1,417	463	60	658	1,448
Oklahoma	1,018	52	723	2,270	1,047	58	753	2,225
Texas	NA	NA	8,612	13,675	NA	NA	8,938	13,759
Rocky Mountain	**3,308**	**325**	**2,190**	**6,676**	**3,147**	**177**	**2,207**	**6,397**
Colorado	1,797	135	980	3,018	1,650	91	964	2,805
Idaho	453	81	400	1,144	410	24	406	1,044
Montana	234	34	NA	423	234	25	NA	465
Utah	824	75	714	1,868	853	37	720	1,863
Wyoming	NA	NA	96	224	NA	NA	117	219
Far West	**20,293**	**3,494**	**15,608**	**43,838**	**17,959**	**2,115**	**15,077**	**39,508**
Alaska	NA	206	NA	656	NA	92	NA	408
California	17,651	3,097	10,797	32,840	15,699	1,944	10,217	29,297
Hawaii	555	14	795	1,514	550	1	816	1,529
Nevada	NA	NA	1,023	1,334	NA	NA	1,043	1,360
Oregon	2,087	178	NA	2,330	1,710	79	NA	1,858
Washington	NA	NA	2,993	5,165	NA	NA	3,001	5,056

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.

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