STATE REVENUE REPORT

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State Tax Revenue Decline Accelerates

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HIGHLIGHTS

- ❖ State tax revenue in the April-June 2002 quarter declined by 10.4 percent compared to the same period in 2001.
- ❖ The decline in state tax revenue continues to accelerate.
- ❖ After adjusting for tax law changes and inflation, real underlying state tax revenue declined by 13.0 percent, the sharpest decline in at least eleven years.
- ❖ This was the fourth straight quarter of revenue decline resulting from the national recession and dramatic declines in income derived from the stock market.
- ❖ There was a net tax increase for the second quarter in a row. Legislated tax changes added almost $2 billion to state tax revenue in the quarter.
- ❖ Personal income tax revenue declined by 22.3 percent, the fourth straight quarter of decline.
- ❖ The corporate income tax continued its seven-quarter-long collapse, declining by 11.7 percent.
- ❖ Sales tax revenue increased by 1.5 percent, largely because of legislated tax increases.

TABLE OF CONTENTS

Figure 1. Year-Over-Year Change in Total Tax Collections, 1991-2002

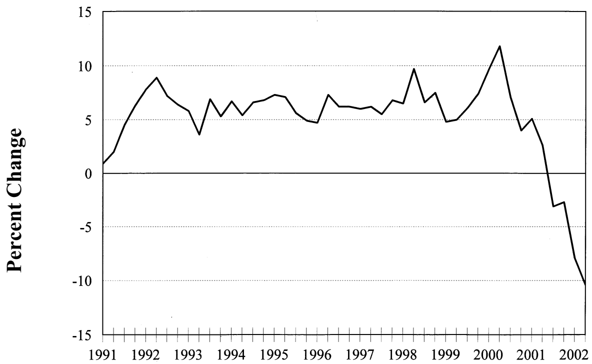


Figure 2. Year-Over-Year Change in Real Adjusted Tax Revenue, 1991-2002

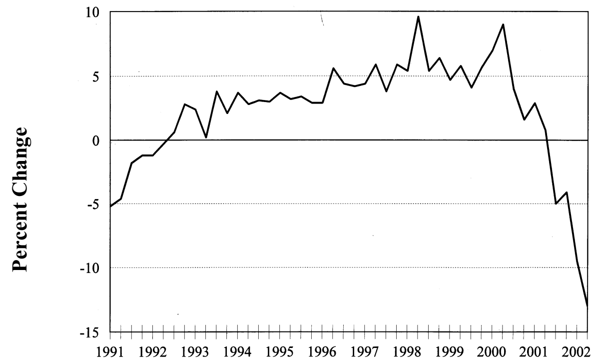


Table 1. Year-Over-Year Change in Quarterly State Tax Revenue, Adjusting for Legislated Tax Changes and Inflation

	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)
2002				
Jan.-Mar.	(7.8)	(8.2)	1.2	(9.3)
April-June	(10.4)	(11.9)	1.3	(13.0)

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)
2202				
Jan.-Mar.	(14.3)	(16.1)	(1.0)	(7.8)
April-June	(22.3)	(11.7)	1.5	(10.4)

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

Introduction

State tax revenue dropped by 10.4 percent in the April-June quarter of 2002, the fourth straight quarter of decline. There has not been a period of such dramatic revenue decline since the Rockefeller Institute of Government began to track state revenue in 1991. This sustained revenue decline, which appears to be accelerating, is causing widespread and severe stress in state budgets across the country. Personal income tax revenue, which was down by 22.3 percent, accounted for most of the overall decline. Corporate income tax collections decreased for the seventh straight quarter — this time by 11.7 percent. Sales tax revenue was up by 1.5 percent, with several large legislated increases. When adjusted to reflect the effects of legislated tax changes and inflation, real state tax revenue declined by 13.0 percent.

In the late 1990s, the April-June quarter was the strongest period for state tax revenue growth, due to windfalls from final payments with income tax returns. After a mixed final return season last year, states experienced dramatic declines in 2002. This year final returns were down by 29 percent in April alone. This, combined with weak sales tax growth and declines in estimated tax payments, withholding, and the corporate income tax, made for the worst quarter for state tax revenue in at least eleven years. Indeed, for most of the 46 states whose fiscal year ends in June the quarter brought a bad fiscal year to a terrible close.

Tax Revenue Growth

Table 1 shows tax revenue growth for the last 30 quarters before and after adjusting for legislated tax changes and inflation. The nominal 10.4 percent year-over-year decline in the April-June quarter was considerably worse than the declines of the previous three quarters. Although legislated tax changes resulted in a significant net increase in taxes, they failed to make up for the general revenue loss. Without this increase, revenue would have declined by 11.9 percent. Adjusting for inflation brought the real decline to 13.0 percent. This followed a real decline of 9.3 percent in the previous quarter. These two quarters marked the largest declines since at least 1990.

The Far West fared the worst this quarter, with a 21.2 percent decline in total tax collections. (See Table 3.) The New England, Mid-Atlantic, and Rocky Mountain states also had tax revenue declines that were greater than the national average. The only region that had a tax revenue increase was the Plains states, and this was entirely due to a large net tax increase in Minnesota. Adjusting for legislated tax changes had varied effects on the magnitude of the declines, as some states had net tax increases and others net tax cuts. (See Figures 3 and 4.)

Table 2 shows the last 30 quarters of changes in state collections for the major taxes. The April-June drop in personal income tax collections was the steepest in four straight quarters of decline. Meanwhile, the corporate income tax continued its decline, but at a somewhat slower pace. The sales tax recovered from its decline of the previous quarter, but posted only anemic growth.

In Table 4, we show tax revenue changes after adjustments for the effects of legislated tax changes. This quarter's personal income tax decline would have been worse but for net legislated increases. The increase in sales tax receipts was almost entirely due to a large net legislated increase.

Personal Income Tax

The April-June quarter is of great importance 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 tax year. In recent years, the robust stock market brought states final payment windfalls. This year, however, those windfalls failed to materialize. Instead, collections went way down while refunds went way up. Meanwhile withholding and estimated tax payments remained weak. Therefore, the states took a double hit this year: on top of the still weak revenue climate of the April-June quarter, they suffered the delayed effects of diminished personal income in 2001.

Figure 3
Percent Change in Tax Revenue by Region, Adjusted for Legislated Changes April-June 2001 to 2002

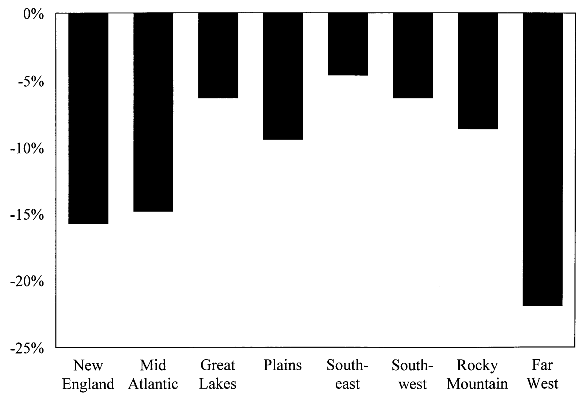


Figure 4
Change in Quarterly Tax Revenue by State, Adjusted for Legislated Changes, April-June 2001 to 2002

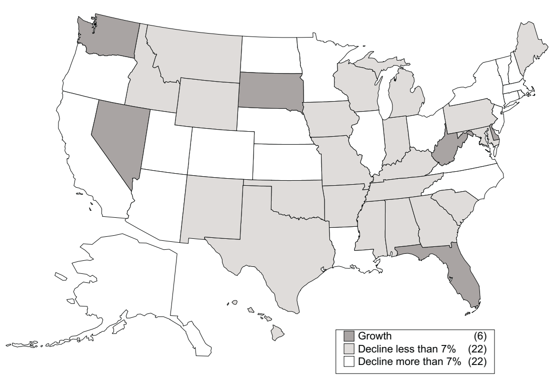


Figure 5
Change in Quarterly Tax Revenue by Tax, Last Four Quarters

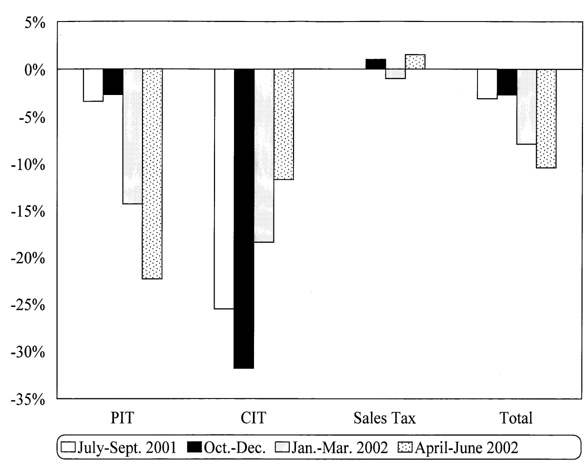


Table 3. Percent Change in Quarterly Tax Revenue by State, April-June 2001 to 2002

	PIT	*CIT*	*Sales*	*Total*
United States	**(22.3)%**	**(11.7)%**	**1.5%**	**(10.4)%**
New England	**(28.0)**	**(13.0)**	**1.2**	**(16.5)**
Connecticut	(29.7)	(32.1)¶	(4.2)¶	(19.0)¶
Maine	(12.8)	(12.9)*	4.5*	(4.6)*
Massachusetts[2]	(30.9)¶	137.9	5.9	(19.7)
New Hampshire	NA	(14.5)*	NA	(3.4)*
Rhode Island[2]	(22.2)¶	(13.3)	11.5	(10.8)
Vermont	(23.8)	(33.8)	(11.7)	(18.8)
Mid Atlantic	**(22.3)**	**(19.5)**	**0.6**	**(13.8)**
Delaware	(6.1)	281.4	NA	14.1
Maryland	(12.2)¶	(8.9)	1.2	(8.0)¶
New Jersey[2]	(26.8)¶	(25.8)*	1.4	(14.0)*
New York	(26.8)	(36.8)	(1.0)	(19.4)
Pennsylvania	(12.4)	(9.8)¶	1.9	(7.2)¶
Great Lakes	**(8.7)**	**(11.8)**	**(0.2)**	**(5.2)**
Illinois	(14.7)	(18.5)	(0.1)	(9.4)
Indiana	(10.4)	(22.3)	1.9	(4.4)
Michigan	(18.8)¶	0.9¶	(3.5)	(7.3)¶
Ohio	5.1*	(17.9)	2.0	(1.1)*
Wisconsin	(3.5)	4.8	1.4	(0.3)
Plains	**(13.2)**	**(13.3)**	**(1.5)**	**8.3**
Iowa	(8.7)	(27.8)	(1.7)	(6.9)
Kansas	(18.7)	(36.4)	(1.3)	(14.6)*
Minnesota	(13.5)	(29.5)	(2.6)*	36.9*
Missouri	(11.5)	34.7	0.0	ND
Nebraska	(16.8)	(6.2)	1.9	(8.4)
North Dakota	(12.8)	(22.3)	(6.2)	(9.3)
South Dakota	NA	NA	0.8	(1.0)¶
Southeast	**(11.3)**	**(12.9)**	**5.3**	**(3.3)**
Alabama	(1.5)	18.0	4.1	(2.5)
Arkansas	(6.3)	27.0¶	(0.1)	(3.0)
Florida	NA	(2.7)	3.1	1.8
Georgia	(10.2)	(0.3)	7.8	(2.3)
Kentucky	(6.7)	(13.6)	3.1	(2.2)
Louisiana	(9.8)	(37.2)	(3.3)	(7.9)
Mississippi	(12.7)	48.0	2.3	(0.1)
North Carolina[2]	(17.4)*	NM	18.5*	(12.6)*
South Carolina	(8.5)	(19.2)	8.4*	(2.5)
Tennessee	NA	(19.8)	0.2	(4.3)
Virginia	(16.0)	(16.2)*	28.9*	(7.1)*
West Virginia	(5.5)	(29.0)	2.2	3.8
Southwest	**(10.2)**	**(18.4)**	**(2.2)**	**(6.6)**
Arizona	(26.4)	(22.3)	3.2	(11.2)
New Mexico[2]	17.6*	0.7	4.2	2.8*
Oklahoma	(1.9)	(14.6)	(8.0)	(6.4)
Texas	NA	NA	(2.9)	(6.2)
Rocky Mountain	**(17.6)**	**(33.6)**	**(0.3)**	**(10.9)**
Colorado	(15.2)	(42.5)¶	(0.9)	(13.8)¶
Idaho	(30.7)¶	(18.0)¶	1.1	(14.5)¶
Montana	(12.6)	(44.8)	NA	(4.3)
Utah	(15.9)	(15.5)	(0.7)	(7.3)
Wyoming	NA	NA	1.8	(0.2)
Far West	**(37.8)**	**0.3**	**2.7**	**(21.2)**
Alaska	NA	(16.8)	NA	(15.0)
California	(39.4)	3.3	3.5*	(24.7)*
Hawaii	(10.3)¶	(12.0)¶	(1.8)¶	(7.4)¶
Nevada	NA	NA	0.5	2.0
Oregon	(23.2)	(36.9)	NA	(24.1)
Washington	NA	NA	1.3	1.7

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)
2002			
Jan.-Mar.	(14.5)	(2.4)	(8.4)
April-June	(22.5)	0.1	(11.9)

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 15.)
For pre-1995 data, call the Fiscal Studies Program.

Indeed, personal income tax revenue declined by a remarkable 22.3 percent in the second quarter of calendar 2002, beating out the previous quarter as the worst decline since the *State Revenue Report* began. There was a slight net tax increase in the quarter, without which the decline would have been 22.5 percent. The sharpest drop occurred in the Far West, where personal income tax collections fell by nearly 38 percent from last year. Personal income tax revenue declined by over 20 percent in New England and the Mid-Atlantic states, and by double digits in every region except the Great Lakes, where the decline was "merely" 8.7 percent. In all, 39 of 41 states with a personal income tax experienced declines. California, with an astonishing 39.4 percent drop was the hardest hit. However, the suffering has been widespread: 29 states recorded double-digit declines. The two states with increases were Ohio, which had a rate increase, and New Mexico, which collected payments deferred because of forest fires last year. There was also a significant legislated personal income tax increase in North Carolina. Meanwhile, eight states had significant legislated tax cuts.[1]

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.

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. In Table 5, we see that withholding for the second quarter of calendar 2002 decreased by 0.4 percent, the third quarter of decline in the last four. The recent drop in employment obviously has taken some toll on wages and withholding. Nevertheless, the withholding decline is less than in the previous quarter, which was

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.
1 Data through April only.
2 Data through May only.
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 1991 call the Fiscal Studies Program.

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

	2001		2002	
	July-Sept	Oct.-Dec.	Jan-Mar	Apr-June
United States	**(1.1)%**	**0.1%**	**(4.9)%**	**(0.4)%**
New England	**(5.4)**	**(0.6)**	**(9.8)**	**(3.2)**
Connecticut	0.2	3.7	(5.7)	(3.0)
Maine	2.3	1.0	(6.5)	(0.4)
Massachusetts[2]	(8.8)¶	(2.6)¶	(12.7)¶	(4.7)
Rhode Island	0.7	(0.5)	(5.1)¶	1.9¶
Vermont	1.9	4.9	1.1	(0.9)
Mid Atlantic	**(1.2)**	**0.3**	**(6.4)**	**0.0**
Delaware	7.6	2.9	2.1	5.4
Maryland[2]	1.4¶	7.2	(0.3)¶	4.8
New Jersey[2]	(5.1)	(7.6)	(1.2)	0.6
New York	(1.2)	(0.3)	(10.8)	(1.4)
Pennsylvania	(1.9)	1.9	0.1	(1.2)
Great Lakes	**0.3**	**2.4**	**(3.9)**	**0.1**
Illinois	(1.4)	1.3	(1.7)	(2.6)
Indiana	0.2	2.3	(2.7)	4.0
Michigan	2.8	0.1	(8.7)¶	(3.3)¶
Ohio	0.3	3.3	(1.5)	2.8
Wisconsin	(0.9)	5.8	(4.5)	1.4
Plains	**1.6**	**2.5**	**1.2**	**2.5**
Iowa	0.0	1.1	4.8	3.5
Kansas	2.7	2.7	2.8	2.2
Minnesota	0.4	(1.0)	(2.6)	2.6
Missouri	2.7	8.1	4.2	1.0
Nebraska	5.5	3.7	0.3	5.6
North Dakota	3.0	6.2	3.7	(1.2)
Southeast	**2.4**	**1.6**	**1.8**	**2.2**
Alabama	4.4	(3.9)	3.8	4.0
Arkansas	5.5	2.0	2.4	2.8
Georgia	(1.9)	(0.1)	2.5	1.5
Kentucky	1.7	ND	1.0	0.8
Louisiana[2]	19.7	8.5	(1.2)	(3.7)
Mississippi	3.5	1.8	(0.2)	1.1
North Carolina	1.7	0.4	3.4*	3.7
South Carolina[1]	2.1	2.0	(1.7)	3.7
Virginia	3.5	2.7	2.0	2.6
West Virginia	1.9	16.3	(2.0)	(1.4)
Southwest	**4.4**	**3.4**	**(7.1)**	**0.9**
Arizona	1.2	1.4	(5.9)	(5.4)
New Mexico[2]	5.0	5.9	(2.2)	7.4
Oklahoma	7.9	4.8	(10.5)	6.9¶
Rocky Mountain	**(2.0)**	**(2.0)**	**(4.7)**	**(0.7)**
Colorado	(4.9)	(4.1)	(7.5)	(1.0)
Idaho	(7.6)¶	(10.2)¶	(0.1)¶	(7.5)¶
Montana	4.4	3.4	2.6	(1.0)
Utah	5.4¶	6.0¶	(3.4)	3.4
Far West	**(5.8)**	**(4.2)**	**(9.6)**	**(4.6)**
California	(6.7)	(5.1)	(10.4)	(5.3)
Hawaii	2.7¶	(1.7)¶	(2.3)¶	3.1¶
Oregon	(2.3)	1.2	(5.4)	(2.2)

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.

probably depressed by drops in bonus activity. Net legislated tax cuts depressed withholding by only about two-tenths of a percentage point in the April-June quarter.[2]

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 big increases in capital gains and stock options. Since the end of 1999, however, stock 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.

For the 32 states for which we have complete data, the decline in estimated tax payments in the April-June 2002 quarter was 21.7 percent compared to the year before. (See Table 6.) For most states, the first two estimated payments for the 2002 tax year are due in this quarter (in April and June). One factor that may be depressing estimated tax payments in 2002 is that in most states taxpayers have to pay only as much as they owed the year before in order to avoid penalties. Since non-wage income fell off so much in 2001, this amount is likely to be relatively low. Thus, even if the stock market and other sources of non-wage income rebound quickly, we may not see the effects on state revenue until next April when states collect final tax payments on this income.

Final Settlements

Final settlements are the payments that taxpayers make, or the refunds that they receive, when they file their annual tax returns. In most states, the filing deadline is April 15th, but some state deadlines are later and so those states do not collect all final payments until May. A survey of payments received through the end of April in all personal income tax states reveals that payments were down an average of 26.3 percent from the year before, with a median state decline of 19.3 percent. Refunds, in contrast, were up by 13.8

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

State	April-June 2002
Average	**(21.7)%**
Alabama	2.7
Arkansas	(21.6)
California	(24.1)
Colorado	(23.3)
Connecticut	(19.9)
Delaware	(9.3)
Georgia	(15.2)
Hawaii	(22.8)
Illinois	(21.8)
Iowa	(18.3)
Kansas	(20.3)
Kentucky	(12.2)
Maine	(17.6)
Maryland	(24.1)
Michigan	(22.1)
Minnesota	(23.9)
Mississippi	(4.3)
Missouri	(16.9)
Montana	(13.6)
Nebraska	(9.5)
New York	(31.1)
North Carolina	(18.2)
North Dakota	(14.7)
Ohio	(5.2)
Oklahoma	(18.8)
Oregon	(20.7)
Pennsylvania	(15.1)
Rhode Island	(14.8)
Vermont	(19.0)
Virginia	(4.9)
West Virginia	2.9
Wisconsin	(7.9)

percent.[3] A review of selected states' settlements in May suggests that the situation has not improved.

Throughout the late 1990s and into 2000 and 2001, many states received a pleasant "April Surprise" as they collected more from final settlements than they had expected. This year was different. While most states had predicted that final settlements would be down in 2002, the actual decline was worse than expected. This created a negative April Surprise, which has thrown fiscal 2002 budgets out of balance, and made it more difficult to devise balanced budgets for fiscal 2003. In California, where payments were off by over 40 percent, the revenue shortfall has helped stall enactment of a fiscal 2003 budget.

General Sales Tax

Sales tax revenue in the April-June 2002 quarter increased by 1.5 percent. This was a rebound from the decline of the previous quarter. However, removing the effects of legislated changes reduces the increase to only 0.1 percent. In short, the 1.5 percent increase is due mostly to large legislated sales tax increases in several states.

The Southeast was the region with the fastest sales tax growth, 5.3 percent. Sales tax revenue declined by 2.2 percent in the Southwest, the region with the largest drop. Sixteen states had declines in their sales tax revenue. In Connecticut and Hawaii, the declines were due to legislated tax cuts. On the other hand, five states had legislated tax changes that increased collections significantly.[4] In one of these — North Carolina — the change caused a double-digit percentage increase in sales tax revenue. Rhode Island was the only state that managed to post a double-digit increase without a legislated tax change.

The increase in sales tax revenue is the only positive sign in state revenue this quarter. Since most of the increase was the result of tax hikes, however, it does not reflect true underlying revenue strength.

Corporate Income Tax

April-June 2002 marked the seventh straight quarter of decline in corporate income tax revenue, which was down by 11.7 percent compared to the year before. The ongoing decline seems to be decelerating somewhat, perhaps in part because we are now measuring declines relative to quarters of already reduced collections.

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

Recent economic news has made the dimensions of the recession more apparent and called into question the strength of any potential recovery. The Bureau of Economic Analysis' (BEA's) advance estimate for real Gross Domestic Product (GDP) growth for the second quarter of 2002 was only 1.1 percent. Meanwhile, BEA's July revisions reduced first quarter 2002 growth to 5 percent. The revisions also show that real GDP declined in the first three quarters of 2001 and that growth for the entire year was only 0.3 percent.[5] The unemployment rate, which in July was 5.9 percent, has not changed much for the last few months.[6] Moreover, even if the economy is truly recovering, the timing and impact of the recovery may vary greatly from state to state. In order to gauge the impact of the recession on state revenue we need to look at the economy on the state level.

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 (BLS), 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 times of growth, these revisions are usually upwards, but recently there have been significant downward revisions as the indicators have lagged the recent economic downturn.

Table 7 shows year-over-year employment growth for the nation and for each state during the last four quarters using BLS data. Recently the BLS revised its national employment numbers, bringing them closer to the state employment numbers. Figure 6 maps the change in first quarter 2002 employment compared to the same period last year. Overall, employment in the April-June quarter declined by 1.1 percent compared to the year before. This is the third straight quarter of decline in the national employment numbers.

Employment declined in every region of the country during the April-June quarter, measured on a year-over-year basis. The largest drop occurred in the Rocky Mountain states. However, there is now very little variation in the rate of decline from region to region; the slowest decline was only seven-tenths of a percentage point less than the most rapid decline. This is very different than in the late 1990s when employment grew two or more percentage points per quarter faster in the West and South than in the rest of the country.

Thirty-seven states had employment rate declines, one more than in the January-March 2002 quarter. Eighteen states had declines of one percentage point or more, and in four states — Colorado, Georgia, Missouri, and Washington — the decline was over two percentage points. Only Nevada and Wyoming had employment increases of over one percent.

Nature of the Tax System

Even if the recession and recovery affected all regions and states to exactly the same degree and at exactly the same time, the impact on state revenue would still vary because states' tax systems react differently to similar economic situations. States that rely heavily on the personal income tax have taken a harder hit from this recession, since it has reduced income generated at the high end of the income scale, 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 also 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 heavily 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 in the late 1990s and into 2000. Most states with personal income taxes had extremely strong revenue growth, partly because the

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

	2001		*2002*	
State	***July-Sept.***	***Oct-Dec***	***Jan-Mar***	***Apr-June***
United States	**0.0%**	**(0.8)%**	**(1.2)%**	**(1.1)%**
Sum of States	**(0.1)**	**(0.8)**	**(0.9)**	**(0.8)**
New England	**(0.3)**	**(1.1)**	**(1.0)**	**(0.8)**
Connecticut	(1.0)	(1.3)	(0.9)	(0.6)
Maine	0.9	0.3	0.0	0.2
Massachusetts	(0.3)	(1.5)	(1.6)	(1.4)
New Hampshire	0.1	(0.6)	(0.4)	(0.4)
Rhode Island	0.3	(0.3)	0.4	0.6
Vermont	(0.6)	(1.1)	(1.5)	(1.0)
Mid Atlantic	**0.1**	**(0.8)**	**(1.0)**	**(1.0)**
Delaware	(0.7)	(0.9)	(0.8)	(1.0)
Maryland	0.8	(0.1)	(0.2)	(0.8)
New Jersey	0.3	0.2	(0.2)	(0.6)
New York	(0.1)	(1.4)	(1.6)	(1.1)
Pennsylvania	0.0	(0.8)	(1.1)	(1.1)
Great Lakes	**(1.4)**	**(1.7)**	**(1.2)**	**(1.0)**
Illinois	(0.9)	(1.6)	(1.4)	(1.5)
Indiana	(2.1)	(2.1)	(1.3)	(1.6)
Michigan	(2.2)	(2.3)	(1.3)	(0.8)
Ohio	(1.3)	(1.4)	(1.1)	(0.9)
Wisconsin	(0.6)	(0.7)	(0.6)	0.0
Plains	**(0.3)**	**(0.9)**	**(0.8)**	**(0.8)**
Iowa	(1.0)	(1.1)	(0.7)	(0.7)
Kansas	1.0	0.7	0.7	0.7
Minnesota	(0.6)	(1.5)	(1.3)	(0.8)
Missouri	(0.7)	(1.5)	(1.8)	(2.1)
Nebraska	0.0	0.1	0.6	0.1
North Dakota	0.2	0.6	1.0	(0.2)
South Dakota	0.6	0.2	(0.3)	0.1
Southeast	**(0.2)**	**(0.7)**	**(0.7)**	**(0.6)**
Alabama	(1.1)	(1.2)	(0.8)	(1.0)
Arkansas	(0.5)	(0.6)	(0.5)	(0.6)
Florida	1.3	0.3	(0.1)	(0.1)
Georgia	(0.5)	(1.5)	(2.6)	(2.3)
Kentucky	(0.3)	(0.7)	0.1	0.6
Louisiana	0.8	1.0	0.7	(0.3)
Mississippi	(1.6)	(1.3)	(0.5)	(0.3)
North Carolina	(1.7)	(1.1)	(1.2)	(0.5)
South Carolina	(0.8)	(1.3)	(0.5)	(0.4)
Tennessee	(1.0)	(0.8)	(0.3)	(0.2)
Virginia	(0.2)	(1.4)	(1.3)	(1.0)
West Virginia	(0.2)	(0.4)	(0.1)	(0.8)
Southwest	**0.5**	**(0.4)**	**(0.7)**	**(0.8)**
Arizona	0.8	(0.7)	(1.2)	(1.1)
New Mexico	1.2	0.9	0.9	0.6
Oklahoma	1.0	0.7	0.8	0.7
Texas	0.3	(0.7)	(1.0)	(1.0)
Rocky Mountain	**0.5**	**(0.5)**	**(0.9)**	**(1.3)**
Colorado	0.1	(1.3)	(1.8)	(2.0)
Idaho	1.2	0.9	0.4	(0.4)
Montana	0.7	1.0	0.7	0.6
Utah	0.3	(0.8)	(0.7)	(1.4)
Wyoming	2.8	2.6	1.9	1.2
Far West	**0.7**	**(0.4)**	**(0.6)**	**(0.6)**
Alaska	2.2	2.4	1.6	0.8
California	1.0	0.0	(0.2)	(0.3)
Hawaii	0.4	(2.0)	(1.2)	(1.0)
Nevada	2.3	0.5	0.7	1.1
Oregon	(1.4)	(2.2)	(1.9)	(1.4)
Washington	(0.9)	(2.1)	(2.4)	(2.2)

incomes of upper-income (and thus upper-bracket) taxpayers grew at a much more rapid pace than those of middle-income taxpayers. Because these high-end incomes were based more heavily upon volatile sources such as stock options and capital gains, growth in personal income tax revenue was far more subject to dramatic fluctuations than it would have been if based entirely on wages and salaries. In this economic downturn, we 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. Meanwhile stock options became both less common and less lucrative.

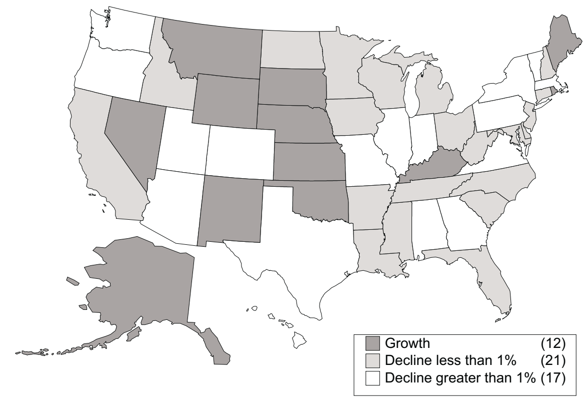
States are also learning about how sales tax revenue responds to an economic slowdown. States that have removed more stable elements of consumption, such as groceries and clothing, from their bases, as well as those that do not capture spending on services well, are more subject to plunges in sales tax revenue as state residents become nervous about spending on optional and big-ticket items. Thus far, however, the sales tax is reacting to the latest economic downturn more moderately than the personal income or corporate income taxes — even increasing slightly in the latest quarter.

Oil has been the wild card in state tax revenue in recent years. When the price of oil increases, oil producing states such as Alaska, Oklahoma and Wyoming benefit. Conversely, when the price falls, these states' revenues tend to follow suit. This dynamic can operate largely independently of the general economy.

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 can be 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

Figure 6
Change in Non-Farm Employment
April-June 2001 to 2002



had a major impact on revenue growth, even though these are not due to legislation, as it helps the reader to know that the change is not necessarily indicative of underlying trends.

During the April-June 2002 quarter, legislated tax changes increased state revenue by almost $2 billion compared to the same period in 2001. This was the second quarter in a row of net tax increases, after nearly seven years of tax cuts.

About $600 million of this net increase was to the sales tax. California allowed a temporary sales tax cut to lapse after one year, increasing revenue by almost $300M in the quarter. A temporary sales tax rate increase in North Carolina raised sales tax collections by about $100 million. Virginia accelerated sales tax collections, which increased revenue by almost $150 million in June.

Some states enacted large increases in personal income tax revenue, while several others made significant cuts, the net effect of which increased revenue by less than $200 million. North Carolina implemented a new higher top rate, raising over $100 million more in the quarter. In Ohio, where reductions in personal income tax rates had served for several years as a mechanism for returning state budget surpluses, the return to normal personal income tax rates increased revenue by almost $300 million.

Idaho, Hawaii, and Oregon each had personal income tax cuts that reduced their revenue growth by over three percentage points. Other states had

Table 8. Change in Tax Revenue by State, July-June, FY 2001 to FY 2002

States	*PIT*	*CIT*	*Sales*	*Total*
United States	**(12.0)%**	**(20.1)%**	**0.4%**	**(6.3)%**
New England	**(14.7)**	**(40.6)**	**(0.7)**	**(9.8)**
Connecticut	(13.7)	(58.2)	(3.5)	(11.0)
Maine	(8.4)	(19.5)	2.2	(2.8)
Massachusetts[2]	(16.1)	(38.1)	(0.1)	(11.9)
New Hampshire	NA	(18.6)	NA	5.6
Rhode Island[2]	(11.8)	(88.1)	5.2	(5.9)
Vermont	(16.6)	(36.7)	(0.2)	(9.7)
Mid Atlantic	**(12.2)**	**(20.4)**	**0.2**	**(7.7)**
Delaware	(0.6)	112.9	NA	3.9
Maryland	(6.5)	(26.6)	0.5	(4.6)
New Jersey[2]	(16.7)	(20.4)	2.4	(7.7)
New York	(14.3)	(26.6)	(2.0)	(11.0)
Pennsylvania	(4.7)	(11.5)	1.2	(2.6)
Great Lakes	**(4.7)**	**(13.9)**	**1.6**	**(2.2)**
Illinois	(6.1)	(18.5)	1.6	(3.7)
Indiana	(6.3)	(18.4)	2.0	(1.7)
Michigan	(8.2)	(7.9)	0.8	(2.5)
Ohio	0.6	(22.2)	1.7	(1.1)
Wisconsin	(4.2)	(5.8)	3.0	(0.7)
Plains	**(4.9)**	**(18.6)**	**(0.6)**	**0.1**
Iowa	(2.2)	(22.4)	0.0	(2.4)
Kansas	(7.5)	(55.6)	2.7	(6.1)
Minnesota	(6.8)	(26.9)	(3.4)	4.7
Missouri	(2.7)	22.8	0.5	ND
Nebraska	(6.0)	(22.0)	1.5	(3.7)
North Dakota	(2.9)	(14.2)	(1.6)	(4.3)
South Dakota	NA	NA	1.3	(0.3)
Southeast	**(3.9)**	**(13.1)**	**1.7**	**(1.2)**
Alabama	0.3	14.3	1.7	(0.4)
Arkansas	(0.8)	(6.8)	0.9	(0.6)
Florida	NA	(9.4)	1.4	1.1
Georgia	(6.3)	(18.8)	(1.8)	(4.7)
Kentucky	(2.7)	(28.5)	3.2	(0.8)
Louisiana	2.6	(1.7)	(0.2)	1.5
Mississippi	(3.8)	(6.3)	1.8	(0.5)
North Carolina[2]	(3.0)	2.9	7.6	(0.5)
South Carolina	(5.0)	(32.7)	1.1	(3.1)
Tennessee	NA	(25.3)	(0.2)	(2.5)
Virginia	(7.1)	(20.2)	6.9	(3.9)
West Virginia	1.7	(22.7)	3.6	3.8
Southwest	**(2.0)**	**(28.5)**	**0.8**	**(2.5)**
Arizona	(9.3)	(36.0)	0.6	(6.1)
New Mexico[2]	12.7	(34.8)	3.0	(0.9)
Oklahoma	0.3	4.5	(0.4)	(5.1)
Texas	NA	NA	0.8	(1.5)
Rocky Mountain	**(10.9)**	**(36.7)**	**(0.2)**	**(7.0)**
Colorado	(11.8)	(37.4)	(2.5)	(10.1)
Idaho	(18.3)	(45.9)	1.6	(10.2)
Montana	(6.1)	(31.9)	NA	2.3
Utah	(6.2)	(30.8)	0.6	(3.7)
Wyoming	NA	NA	8.5	0.1
Far West	**(24.5)**	**(23.5)**	**(1.9)**	**(15.3)**
Alaska	NA	(13.9)	NA	(28.1)
California	(25.6)	(22.2)	(2.5)	(17.6)
Hawaii	(3.0)	(25.2)	(1.7)	(3.5)
Nevada	NA	NA	1.3	1.5
Oregon	(19.2)	(47.7)	NA	(20.3)
Washington	NA	NA	(0.7)	(1.5)

various smaller tax cuts, most enacted before the dimensions of the recession became apparent.

Conclusions

We have now seen four straight quarters of state tax revenue decline. This is worrisome not only because of the persistent weakness, but also because the decline seems to be accelerating and because there is little in the underlying collections data or the employment situation to suggest that the revenue situation is going to get much better in the near future. Some states have already indicated that they do not expect to reach the revenue targets in their fiscal 2003 budgets. If revenue weakness continues, other states will surely join this list. Moreover, as the list grows, we can expect to see deeper budget cuts and additional tax increases.

Endnotes

1 Hawaii, Idaho, Maryland, Massachusetts, Michigan, New Jersey, Oregon, Rhode Island, and South Carolina.

2 States that had significant personal income tax cuts affecting withholding were: Hawaii, Idaho, Michigan, Oklahoma, and Rhode Island.

3 For details of this survey, conducted by the National Conference of State Legislatures, the Federation of Tax Administrators, the National Association of State Budget Officers, and the Nelson A. Rockefeller Institute of Government see: National Conference of State Legislatures, *State Fiscal Update,* June 4, 2002. http://www.ncsl.org/programs/fiscal/sfo2002.htm.

4 California, Maine, Minnesota, North Carolina, and South Carolina.

5 United States Department of Commerce, Bureau of Economic Analysis News Release, July 31, 2002.

6 United States Department of Labor, Bureau of Labor Statistics, *The Employment Situation, July 2002,* August 2, 2002.

Table 9
State Tax Revenue, April-June, 2001 and 2002 (In Millions of Dollars)

	2001				2002			
	PIT	*CIT*	*Sales*	*Total*	*PIT*	*CIT*	*Sales*	*Total*
United States	**$65,924**	**$9,253**	**$42,848**	**$136,468**	**$51,248**	**$8,172**	**$43,494**	**$122,242**
New England	**4,457**	**281**	**1,801**	**7,700**	**3,209**	**244**	**1,822**	**6,428**
Connecticut	1,465	142	779	2,820	1,030	96	746	2,284
Maine	459	35	266	900	400	30	278	858
Massachusetts[2]	2,171	21	588	3,008	1,500	49	623	2,414
New Hampshire	NA	66	NA	349	NA	56	NA	337
Rhode Island[2]	201	3	114	353	156	3	127	315
Vermont	162	15	55	270	123	10	48	220
Mid Atlantic	**14,275**	**1,792**	**5,468**	**24,726**	**11,087**	**1,443**	**5,503**	**21,321**
Delaware	200	23	NA	500	188	88	NA	571
Maryland	1,652	160	646	2,687	1,450	146	654	2,472
New Jersey[2]	2,054	343	959	3,838	1,503	254	972	3,303
New York	7,880	694	2,045	11,939	5,766	439	2,024	9,627
Pennsylvania	2,488	573	1,819	5,762	2,181	517	1,854	5,348
Great Lakes	**9,519**	**1,964**	**6,832**	**21,463**	**8,690**	**1,733**	**6,821**	**20,342**
Illinois	2,786	433	1,507	5,577	2,376	353	1,505	5,051
Indiana	1,246	373	933	3,258	1,117	290	951	3,115
Michigan	1,912	598	1,965	5,293	1,552	603	1,896	4,904
Ohio	2,282	442	1,541	4,814	2,397	363	1,571	4,758
Wisconsin	1,293	117	886	2,521	1,248	123	899	2,513
Plains	**5,054**	**544**	**3,136**	**6,326**	**4,389**	**472**	**3,091**	**6,850**
Iowa	744	104	426	1,407	679	75	419	1,310
Kansas	718	95	423	1,323	583	61	418	1,131
Minnesota	1,499	146	1,245	2,442	1,297	103	1,212	3,344
Missouri	1,593	127	619	ND	1,410	171	619	ND
Nebraska	409	39	227	739	341	36	231	677
North Dakota	91	34	88	263	80	26	82	239
South Dakota	NA	NA	109	152	NA	NA	109	150
Southeast	**10,120**	**1,887**	**10,690**	**27,844**	**8,976**	**1,644**	**11,255**	**26,921**
Alabama	762	71	431	1,751	750	83	449	1,707
Arkansas	590	89	437	1,198	553	112	436	1,161
Florida	NA	529	3,604	5,515	NA	515	3,717	5,615
Georgia	1,917	265	1,290	3,745	1,721	264	1,391	3,658
Kentucky	861	117	671	1,889	804	101	692	1,849
Louisiana	660	164	605	1,900	596	103	585	1,749
Mississippi	348	62	589	1,332	304	91	602	1,331
North Carolina[2]	1,693	14	577	2,545	1,398	(92)	684	2,225
South Carolina	674	51	512	1,422	617	41	555	1,387
Tennessee	NA	308	1,169	2,298	NA	247	1,171	2,200
Virginia	2,268	177	562	3,419	1,906	148	724	3,176
West Virginia	346	42	245	831	327	30	250	863
Southwest	**1,544**	**274**	**5,808**	**12,204**	**1,387**	**223**	**5,679**	**11,405**
Arizona	662	189	767	1,762	487	147	791	1,564
New Mexico[2]	179	27	209	530	210	28	217	545
Oklahoma	703	58	396	1,394	690	49	364	1,305
Texas	NA	NA	4,437	8,519	NA	NA	4,306	7,992
Rocky Mountain	**2,334**	**314**	**1,093**	**4,321**	**1,923**	**209**	**1,089**	**3,851**
Colorado	1,231	153	473	1,894	1,043	88	468	1,633
Idaho	364	41	193	759	252	34	196	649
Montana	182	50	NA	404	159	27	NA	386
Utah	557	71	355	1,090	468	60	352	1,010
Wyoming	NA	NA	72	173	NA	NA	73	173
Far West	**18,621**	**2,196**	**8,021**	**31,885**	**11,587**	**2,204**	**8,235**	**25,124**
Alaska	NA	19	NA	436	NA	16	NA	371
California	16,939	2,007	5,677	25,527	10,258	2,073	5,878	19,212
Hawaii	284	29	408	818	255	26	400	758
Nevada	NA	NA	530	571	NA	NA	532	583
Oregon	1,398	141	NA	1,584	1,074	89	NA	1,202
Washington	NA	NA	1,406	2,948	NA	NA	1,425	2,999

Table 10
State Tax Revenue, July to June, FY 2001 and FY 2002 (In Millions of Dollars)

	FY 2001				FY 2002			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**$207,490**	**$29,273**	**$170,790**	**$473,570**	**$182,605**	**$23,377**	**$171,449**	**$443,775**
New England	**15,405**	**1,485**	**7,912**	**29,541**	**13,143**	**882**	**7,860**	**26,648**
Connecticut	3,995	359	2,844	8,547	3,446	150	2,743	7,610
Maine	1,168	96	818	2,437	1,070	77	836	2,368
Massachusetts[2]	8,936	751	3,390	14,800	7,498	465	3,387	13,039
New Hampshire	NA	195	NA	1,128	NA	159	NA	1,191
Rhode Island[2]	823	42	645	1,724	725	5	679	1,622
Vermont	484	41	215	905	403	26	215	817
Mid Atlantic	**47,430**	**6,383**	**22,730**	**89,312**	**41,666**	**5,080**	**22,773**	**82,458**
Delaware	718	62	NA	1,708	714	132	NA	1,774
Maryland	4,755	493	2,389	8,255	4,448	362	2,400	7,871
New Jersey[2]	7,090	1,077	4,738	15,204	5,906	857	4,854	14,032
New York	27,375	3,149	8,399	44,055	23,459	2,311	8,227	39,207
Pennsylvania	7,492	1,603	7,204	20,091	7,139	1,419	7,293	19,574
Great Lakes	**31,119**	**5,736**	**26,542**	**75,287**	**29,649**	**4,940**	**26,976**	**73,649**
Illinois	8,607	1,279	5,992	18,912	8,086	1,043	6,089	18,218
Indiana	3,780	843	3,723	11,043	3,541	688	3,799	10,857
Michigan	6,752	2,159	7,659	20,565	6,201	1,988	7,722	20,048
Ohio	7,263	915	5,936	15,650	7,304	712	6,038	15,474
Wisconsin	4,717	541	3,232	9,117	4,517	509	3,329	9,051
Plains	**16,388**	**1,813**	**11,850**	**24,326**	**15,579**	**1,477**	**11,773**	**24,359**
Iowa	2,427	285	1,691	4,776	2,372	221	1,692	4,662
Kansas	1,977	212	1,659	4,145	1,830	94	1,704	3,891
Minnesota	5,916	729	4,348	11,423	5,513	533	4,200	11,956
Missouri	4,595	365	2,451	ND	4,471	449	2,464	ND
Nebraska	1,233	138	905	2,457	1,160	108	919	2,366
North Dakota	241	84	344	887	234	72	338	848
South Dakota	NA	NA	451	639	NA	NA	457	637
Southeast	**34,229**	**5,198**	**42,713**	**98,838**	**32,889**	**4,519**	**43,425**	**97,617**
Alabama	2,413	199	1,707	5,958	2,421	229	1,736	5,936
Arkansas	1,806	236	1,713	4,010	1,792	220	1,729	3,985
Florida	NA	1,345	13,952	19,261	NA	1,219	14,147	19,465
Georgia	6,926	725	5,126	13,688	6,488	588	5,035	13,048
Kentucky	2,779	290	2,645	6,775	2,703	207	2,729	6,721
Louisiana	1,738	285	2,407	5,936	1,784	280	2,404	6,024
Mississippi	1,034	271	2,314	4,912	994	254	2,355	4,886
North Carolina[2]	6,791	486	3,148	11,636	6,589	500	3,386	11,574
South Carolina	2,495	211	1,818	5,142	2,369	142	1,838	4,983
Tennessee	NA	674	4,653	7,675	NA	503	4,646	7,482
Virginia	7,226	364	2,273	11,054	6,711	290	2,430	10,619
West Virginia	1,021	113	956	2,790	1,038	87	991	2,895
Southwest	**5,298**	**891**	**22,997**	**43,224**	**5,194**	**637**	**23,188**	**42,122**
Arizona	2,301	541	2,984	6,192	2,087	346	3,000	5,813
New Mexico[2]	825	191	1,177	2,762	930	124	1,212	2,736
Oklahoma	2,172	159	1,481	4,804	2,178	166	1,475	4,561
Texas	NA	NA	17,356	29,465	NA	NA	17,501	29,012
Rocky Mountain	**7,188**	**741**	**4,404**	**14,298**	**6,401**	**469**	**4,397**	**13,290**
Colorado	3,899	322	1,949	6,356	3,440	202	1,900	5,716
Idaho	1,031	142	775	2,457	842	77	788	2,206
Montana	545	102	NA	1,111	512	69	NA	1,137
Utah	1,713	175	1,431	3,805	1,607	121	1,440	3,662
Wyoming	NA	NA	249	569	NA	NA	270	569
Far West	**50,435**	**7,026**	**31,643**	**98,744**	**38,085**	**5,373**	**31,056**	**83,632**
Alaska	NA	61	NA	1,318	NA	52	NA	948
California	44,782	6,532	22,079	76,436	33,338	5,080	21,538	62,957
Hawaii	1,105	61	1,640	3,158	1,072	45	1,612	3,049
Nevada	NA	NA	2,044	2,360	NA	NA	2,070	2,395
Oregon	4,548	373	NA	5,063	3,675	195	NA	4,035
Washington	NA	NA	5,879	10,410	NA	NA	5,836	10,248

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 second 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, a senior policy analyst with the Program. 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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