

# Revenue Collections Remain Low in July-September Quarter

## Preliminary State Tax Revenues

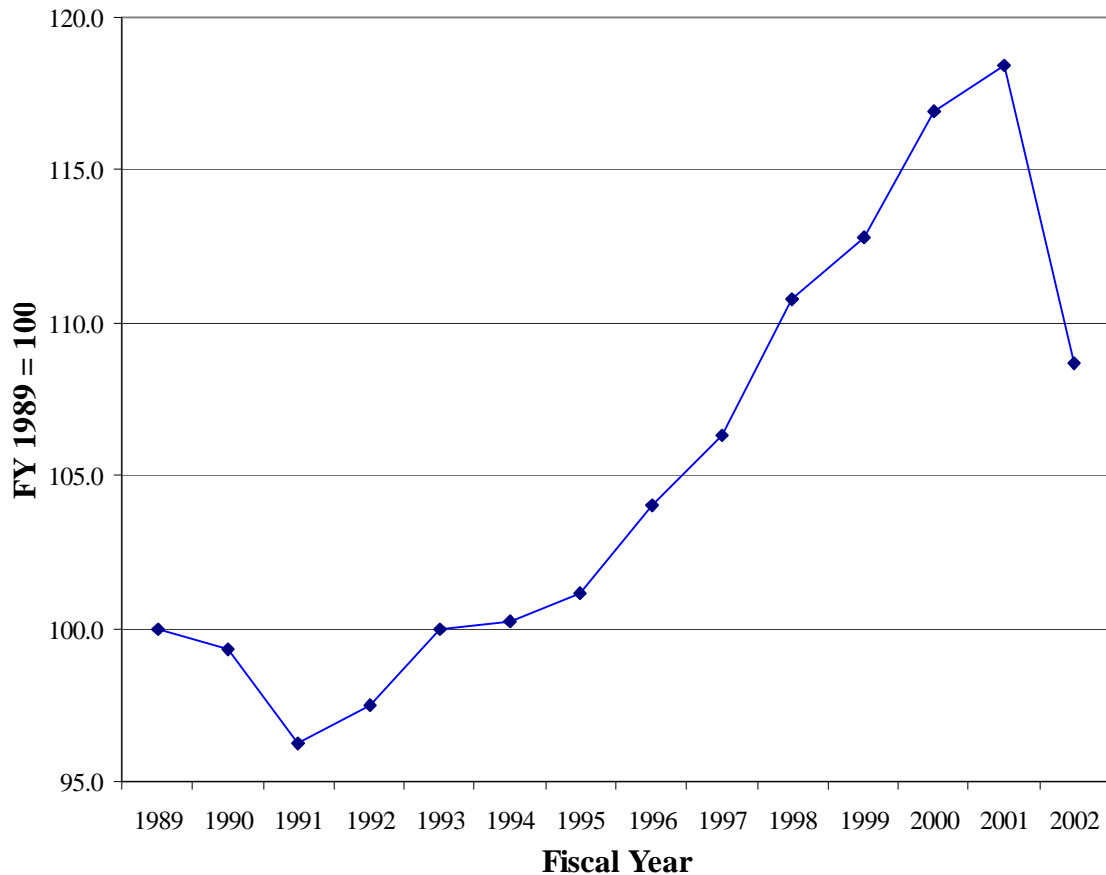
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After rising from 1991 to 2001, state tax revenues declined sharply in fiscal year 2002.<sup>1</sup> (See Figure 1.) When adjusted for inflation and the increase in population, state tax revenues have declined much more sharply than they did during the recession of the early 1990s. It took state real per capita state tax revenue two years to recover from the bottom of their slump in 1991, and it is likely that it will take as long, or longer for them to recover from the current slump.

**Figure 1.**  
**Real Per Capita Annual State Tax Revenue**



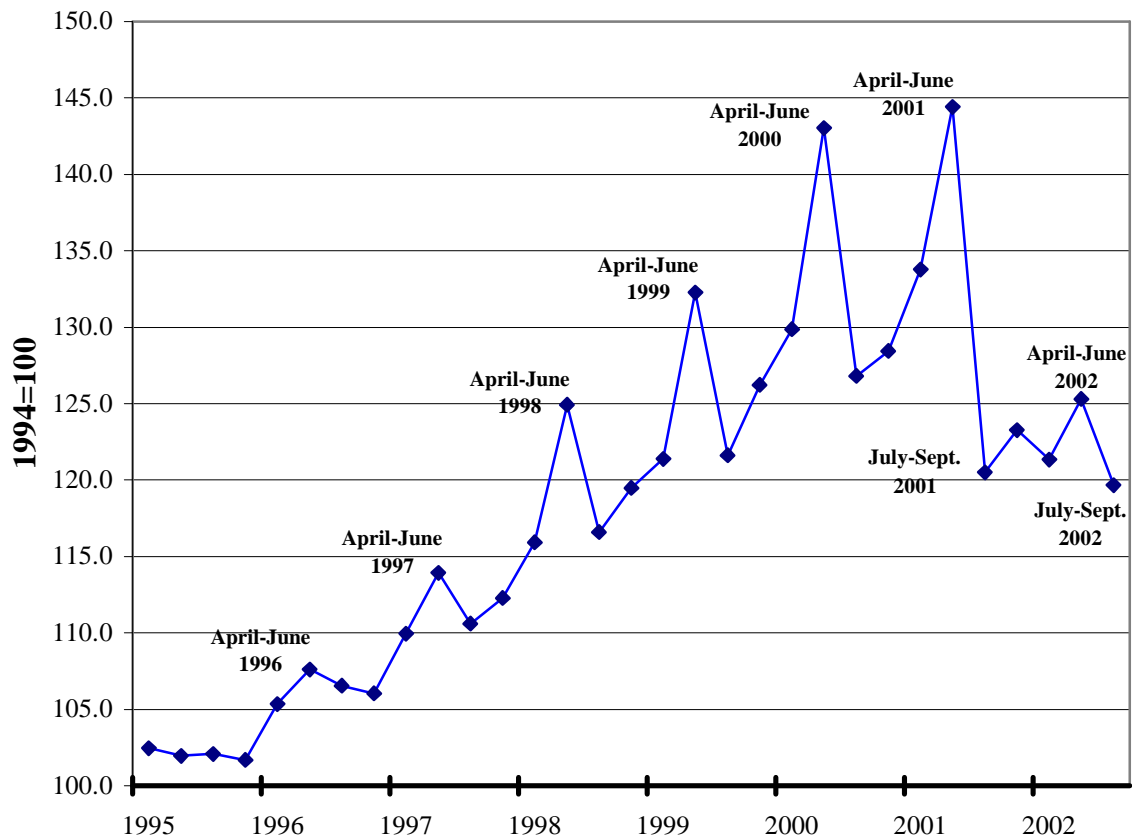
Source: US Census Bureau.

<sup>1</sup> We use a standardized July-June fiscal year, which is used by 46 states.

If we look at the quarterly growth in real per capita state tax revenues, and adjust it for legislated tax changes, we see that the growth from 1994 to 2001 was not even. The large annual spikes in Figure 2 reflect a series of “April Surprises,” when states with personal income taxes collected ever increasing windfalls from payments with final returns. Much of this was due to income from investments.<sup>2</sup> In 2002, there was no large spike, and indeed the April-June quarter capped a bad year in most states.

Preliminary revenue numbers for the July-September 2002 quarter show that total state tax revenues increased by about 2.4 percent, the first quarter with any increase in a year. However, as can be seen in Figure 2, state tax collections adjusted for population growth, inflation, and legislated changes are still well below their level last year. They are, in fact, close to where they were in 1998. The slight collections rebound is not sufficient to overcome the severe revenue shortfalls and budget gaps that most states are currently facing.

**Figure 2.**  
**Real Per Capita Quarterly State Tax Revenue,**  
**Adjusted for Legislation**



Source: Nelson A. Rockefeller Institute of Government and US Census Bureau.

<sup>2</sup> For a more detailed discussion, see recent *State Revenue Reports* from the Rockefeller Institute of Government.

State sales tax revenue increased by 3.9 percent, its best showing since October-December of 2000. Corporate income tax revenue increase by 5.4 percent, the first increase in eight quarters. This was in part due to processing delays in the July-September quarter of 2001. State tax revenue was also aided by increase in cigarette tax rates in several states. On the other hand, personal income tax revenues declined by 1.6 percent, the fifth straight quarter of decline, though this decline was smaller than the previous four. Table 1 breaks this down for the major types of tax since 1996.

**Table 1. Year-Over Change in Quarterly State Tax Revenue by Major Tax**

	PIT	CIT	Sales Tax	Total
<b>1996</b>				
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
<b>1997</b>				
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
<b>1998</b>				
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
<b>1999</b>				
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
<b>2000</b>				
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	4.6	7.1
Oct.-Dec.	5.8	(7.7)	4.2	4.0
<b>2001</b>				
Jan.-Mar.	8.7	(9.1)	3.4	5.1
April-June	5.4	(13.1)	0.5	2.5
July-Sept.	(3.7)	(24.0)	0.0	(3.1)
Oct.-Dec.	(2.7)	(31.8)	1.0	(2.7)
<b>2002</b>				
Jan.-Mar.	(14.3)	(18.4)	(1.0)	(7.9)
April-June	(22.3)	(11.7)	1.5	(10.4)
July-Sept.(p)	(1.6)	5.4	3.9	2.4

(p) - preliminary

Note: Numbers in parentheses indicate revenue declines.

Pre-1996 numbers are available from the Rockefeller Institute.

Data from Nelson A. Rockefeller Institute of Government Revenue Report Database.

Table 2 shows the percentage change in total quarterly tax revenue, ordered from the states with the largest increases to the states with the largest declines. It only includes states for which we have data for the whole July-September quarter. We have not adjusted these numbers for inflation, legislated tax changes, or for any processing changes or glitches that may have affected the quarter's collections. We have complete quarterly numbers for 45 states.

**Table 2. Percentage Change in Total Quarterly Tax Revenue by State**  
**July-September, 2001 to 2002 (preliminary)**

North Dakota	17.1	Iowa	2.8
Alabama	11.8	Idaho	2.6
Tennessee	10.4		
Oregon	9.6	<b>United States</b>	<b>2.4</b>
Ohio	9.0		
North Carolina	7.8	Arkansas	2.3
Nebraska	7.7	South Dakota	1.4
Wisconsin	6.7	Virginia	1.1
Kentucky	5.8	Maryland	0.9
Montana	5.8	Texas	0.8
Connecticut	5.7	Vermont	0.3
New York	5.4	South Carolina	0.2
Mississippi	5.3	Illinois	0.1
Maine	5.3	Missouri	0.0
West Virginia	5.2	Kansas	(0.3)
Pennsylvania	5.2	California	(0.7)
Rhode Island	5.0	Massachusetts	(0.8)
Minnesota	4.9	Utah	(1.0)
New Hampshire	4.9	Arizona	(3.1)
Florida	4.6	Colorado	(4.1)
Hawaii	4.0	New Mexico	(5.6)
New Jersey	3.9	Georgia	(5.9)
Michigan	3.3	Alaska	(6.7)
Indiana	2.9	Oklahoma	(7.7)

Note: Numbers in parentheses indicate revenue declines.

Data from Nelson A. Rockefeller Institute of Government Revenue Report Database.

Updated and expanded state tax revenues numbers, as well as adjustments for tax law changes and processing will be available in the forthcoming *State Revenue Report #50*, covering the July-September quarter.

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