

# STATE REVENUE REPORT

Fiscal Studies Program  
The Nelson A. Rockefeller Institute of Government

June 2004  
No. 56

## State Tax Revenue Recovery Gathering Steam

Nicholas W. Jenny

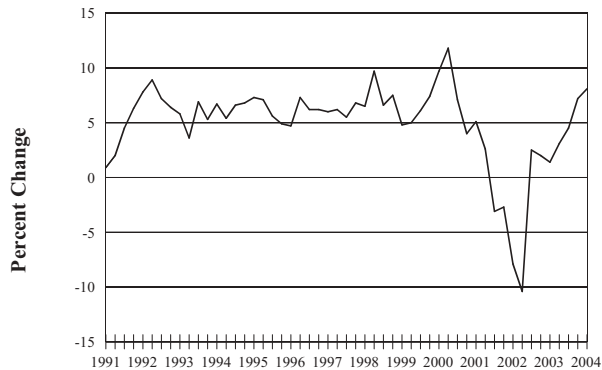
### HIGHLIGHTS

- ❖ State tax revenue in the January-March 2004 quarter grew by 8.1 percent compared to the same period in 2003.
- ❖ After adjusting for tax law changes and inflation, real underlying state tax revenue grew by 5.5 percent.
- ❖ Newly implemented changes in state tax laws generated a \$1.1 billion net increase in state revenue. This is the ninth straight quarter with a net increase.
- ❖ Personal income tax revenue grew by 8.7 percent.
- ❖ Sales tax revenue grew by 8.3 percent.
- ❖ Corporate income tax revenue grew by 15.2 percent.

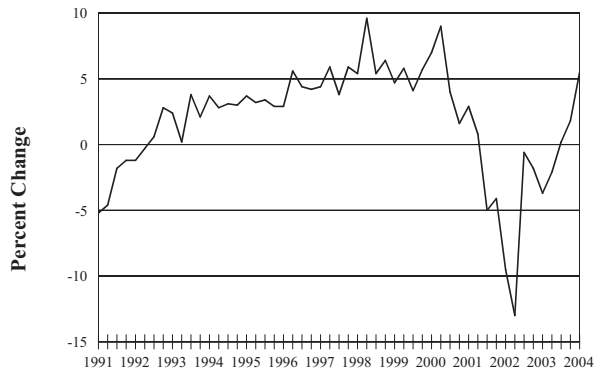
### TABLE OF CONTENTS

Introduction . . . . .	3
Tax Revenue Change . . . . .	3
Personal Income Tax . . . . .	4
Withholding . . . . .	5
Estimated Payments . . . . .	5
Final Settlements . . . . .	6
General Sales Tax . . . . .	6
Corporate Income Tax . . . . .	6
Underlying Reasons for Trends . . . . .	7
State Economies . . . . .	7
Nature of the Tax System . . . . .	8
Tax Law Changes Affecting This Quarter . . . . .	10
Conclusions . . . . .	10
Endnotes . . . . .	10
Technical Notes . . . . .	14
About the Fiscal Studies Program . . . . .	15

**Figure 1. Year-Over-Year Change in Total Tax Collections, 1991-2004**



**Figure 2. Year-Over-Year Change in Real Adjusted Tax Revenue, 1991-2004**



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

	<i>Total Nominal Increase</i>	<i>Adjusted Nominal Increase</i>	<i>Inflation Rate</i>	<i>Real Increase</i>
<b>1997</b>				
Jan.-Mar.	6.0	7.4	2.3	5.0
April-June	6.2	8.3	2.8	5.4
July-Sept.	5.5	6.1	2.5	3.5
Oct.-Dec.	6.8	7.9	2.7	5.1
<b>1998</b>				
Jan.-Mar.	6.5	7.0	1.8	5.1
April-June	9.7	11.4	1.8	9.4
July-Sept.	6.6	7.1	1.8	5.2
Oct.-Dec.	7.5	8.0	1.5	6.4
<b>1999</b>				
Jan.-Mar.	4.8	6.5	1.9	4.5
April-June	5.0	8.0	2.7	5.2
July-Sept.	6.1	6.7	3.2	3.4
Oct.-Dec.	7.4	8.4	3.7	4.5
<b>2000</b>				
Jan.-Mar.	9.7	10.4	4.4	5.7
April-June	11.4	11.8	4.3	7.2
July-Sept.	7.1	7.7	4.3	3.3
Oct.-Dec.	4.0	5.0	4.3	0.7
<b>2001</b>				
Jan.-Mar.	5.1	6.3	4.0	2.2
April-June	2.5	4.2	3.4	0.8
July-Sept.	(3.1)	(2.4)	2.3	(4.6)
Oct.-Dec.	(2.7)	(2.2)	1.2	(3.4)
<b>2002</b>				
Jan.-Mar.	(7.8)	(8.2)	0.5	(8.7)
April-June	(10.6)	(12.1)	0.8	(12.8)
July-Sept.	2.5	0.7	1.3	(0.6)
Oct.-Dec.	1.9	0.3	2.0	(1.7)
<b>2003</b>				
Jan.-Mar.	1.4	(1.0)	3.4	(4.3)
April-June	3.2	0.4	2.2	(1.8)
July-Sept.	4.5	2.6	2.2	0.4
Oct.-Dec.	7.3	4.9	3.0	1.8
<b>2004</b>				
Jan.-Mar.	8.1	7.1	1.5	5.5

*Note:* Inflation is measured by the BEA State and Local Government Implicit Price Deflator.  
Please call the Fiscal Studies Program for pre-1997 data.

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

	<i>PIT</i>	<i>CIT</i>	<i>Sales</i>	<i>Total</i>
<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	4.7	7.1
Oct.-Dec.	5.7	(7.7)	4.1	4.0
<b>2001</b>				
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)
<b>2002</b>				
Jan.-Mar.	(14.3)	(16.1)	(1.0)	(7.8)
April-June	(22.3)	(11.7)	1.5	(10.4)
July-Sept.	(1.6)	4.8	3.8	2.5
Oct.-Dec.	(0.7)	22.4	0.7	1.9
<b>2003</b>				
Jan.-Mar.	(3.1)	9.6	1.9	1.4
April-June	(0.7)	17.8	2.9	3.2
July-Sept.	5.1	8.4	3.7	4.5
Oct.-Dec.	6.6	11.1	6.6	7.3
<b>2004</b>				
Jan.-Mar.	8.7	15.2	8.3	8.1

*Note:* Please call the Fiscal Studies Program for pre-1997 data.

## Introduction

State tax revenue grew by 8.1 percent in the January-March quarter of 2004, compared to the same quarter the year before. Without the contribution of net enacted tax increases, this growth would have been only 7.1 percent. This is the fifth straight quarter of strengthening nominal revenue growth. If we also take into account the effects of inflation, real adjusted state tax revenue grew by 5.5 percent — the third straight quarter of real adjusted growth. State tax growth seems to be moving back into the range seen before the recession of 2001. (See Table 1.) All three major state taxes showed strong growth this quarter.

## Tax Revenue Change

Table 1 shows tax revenue changes for the last 29 quarters before and after adjusting for legislated tax changes and inflation. Figure 1 shows the pattern of growth or decline in state tax collections from 1991 to the present. State tax revenue declined from July 2001 to June 2002; since then it has been growing, but it is only with the latest two quarters that growth has approximated the median growth rate of 6.6 from 1997 through 2000. Tax increases enacted in many states over the last three years have contributed to revenue growth. However, in the January-March quarter, growth still would have been significant even without tax increases. Figure 2 shows the pattern of growth in state tax revenue adjusted for inflation and enacted tax increases from 1991 to the present. States have broken through into growth in their real adjusted revenue only in the last three quarters.

Table 2 shows the last 29 quarters of change in state collections of the major state tax sources. Personal income tax collections had been getting stronger in 2003, and this continued through the first quarter of 2004, though they are still short of the double-digit percentage growth seen in 2000 and before. Corporate income taxes posted growth for the seventh straight quarter, while sales tax revenue has been growing for two straight years.

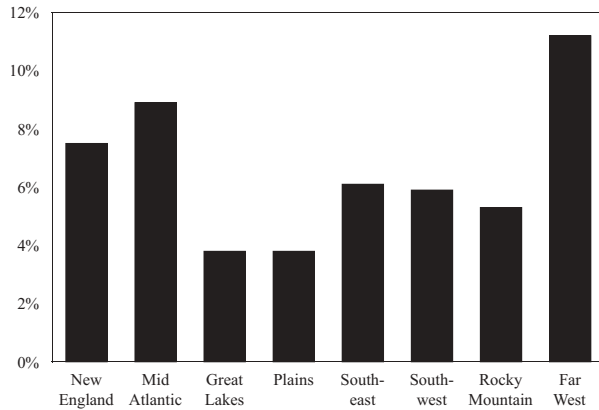
Every region experienced revenue growth in the January-March quarter. (See Table 3.) The Mid-Atlantic region had the strongest growth at

**Table 3. Change in Quarterly Tax Revenue by State, January to March, 2003 to 2004**

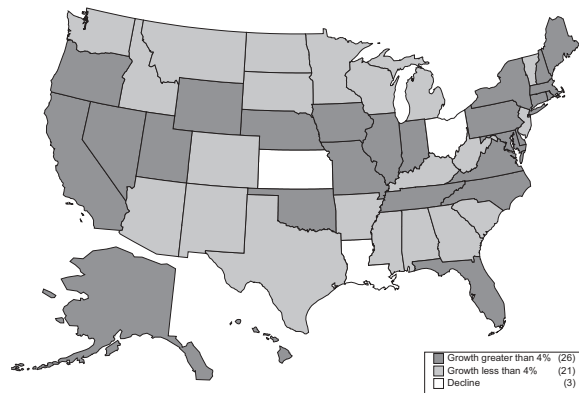
	<i>PIT</i>	<i>CIT</i>	<i>Sales</i>	<i>Total</i>
<b>United States</b>	<b>8.7%</b>	<b>15.2%</b>	<b>8.3%</b>	<b>8.1%</b>
<b>New England</b>	<b>8.7</b>	<b>15.8</b>	<b>3.4</b>	<b>6.4</b>
Connecticut	22.7*	3.4*	6.3	12.3*
Maine	7.2	40.9*	7.8	9.0*
Massachusetts	0.6¶	28.4*	(1.6)¶	1.6¶
New Hampshire	NA	(16.0)	NA	6.1
Rhode Island	17.3	(15.6)*	6.0	8.9*
Vermont	(1.1)	25.3	21.7*	11.2*
<b>Mid-Atlantic</b>	<b>16.1</b>	<b>11.1</b>	<b>9.9</b>	<b>12.7</b>
Delaware	14.8	13.0*	NA	21.0*
Maryland	22.7*	71.1	10.0	20.3*
New Jersey	4.3	8.6	7.5	7.6*
New York	19.3*	7.0*	17.5*	16.0*
Pennsylvania	11.2	6.3	2.9	7.4
<b>Great Lakes</b>	<b>1.4</b>	<b>15.7</b>	<b>8.7</b>	<b>3.4</b>
Illinois	6.4	35.0*	7.4*	10.0*
Indiana	1.5	46.9*	7.3	8.1
Michigan	1.9¶	19.5	0.5	(8.0)¶
Ohio	(3.3)	6.4*	24.1*	8.4*
Wisconsin	(1.3)	(1.0)	3.8	0.4
<b>Plains</b>	<b>5.7</b>	<b>4.5</b>	<b>4.2</b>	<b>4.2</b>
Iowa	10.9	33.7	5.2	8.3
Kansas	2.4	2.3	1.7	(1.4)
Minnesota	2.8	(5.0)	2.7	1.2
Missouri	8.0	19.9	7.3	8.0
Nebraska	9.1*	3.1	5.2*	9.3*
North Dakota	(8.6)	6.0	6.7	4.0
South Dakota	NA	NA	4.2	3.3
<b>Southeast</b>	<b>3.8</b>	<b>21.7</b>	<b>7.1</b>	<b>6.5</b>
Alabama	3.5	11.0	4.8	4.1
Arkansas	6.3*	12.9*	8.1	7.5*
Florida	NA	16.1¶	10.8	10.0
Georgia	6.0	22.8¶	1.9	6.0
Kentucky	(7.5)	NM	7.7	4.0
Louisiana	9.1*	NM	(12.2)¶	(0.4)
Mississippi	0.3	9.0	4.2	2.3
North Carolina	1.8	24.9	13.2*	6.8
South Carolina	2.3	2.4	5.5	5.5
Tennessee	NA	8.2	6.7	6.5
Virginia	7.5	171.8	10.3	9.4
West Virginia	(0.1)	(24.9)	5.3	6.6*
<b>Southwest</b>	<b>9.5</b>	<b>38.7</b>	<b>7.6</b>	<b>7.0</b>
Arizona	16.7	(24.7)	8.1	6.5*
New Mexico	(12.1)¶	119.5	0.2	4.0*
Oklahoma	12.9	152.1	10.3*	20.6*
Texas	NA	NA	7.9	5.5
<b>Rocky Mountain</b>	<b>5.7</b>	<b>19.7</b>	<b>8.2</b>	<b>7.5</b>
Colorado	6.3	(44.3)	3.7	4.5
Idaho	(1.4)	211.1	24.7*	12.4*
Montana	1.0	86.9	NA	4.3*
Utah	11.1	19.4	4.2*	7.4
Wyoming	NA	NA	12.8	18.6*
<b>Far West</b>	<b>10.6</b>	<b>15.1</b>	<b>12.0</b>	<b>11.7</b>
Alaska	NA	NM	NA	43.9
California	10.8	11.7	13.9	11.1
Hawaii	3.0¶	NM	11.2¶	13.2¶
Nevada	NA	NA	18.1	38.4*
Oregon	10.9	11.1	NA	10.8
Washington	NA	NA	2.8	5.6

See p. 5 for notes

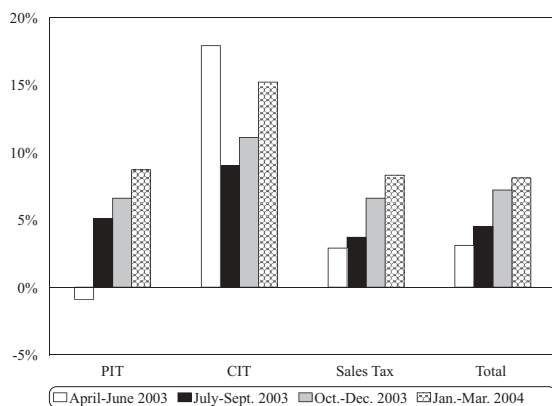
**Figure 3**  
**Percent Change in Tax Revenue by Region,**  
**Adjusted for Legislated Changes**  
**January-March, 2003 to 2004**



**Figure 4**  
**Change in Quarterly Tax Revenue by State, Adjusted for**  
**Legislated Changes, January-March, 2003 to 2004**



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



12.7 percent; the Far West also had double-digit growth. The slowest growth was in the Great Lakes states at 3.4 percent.

Enacted net tax increases affected every region of the country, however, a few states had significant processing related adjustments that counteracted part of these effects. (See Figure 3.) Even without these tax increases, state tax collections would have grown in every region — albeit at a slower pace. Figure 4 shows state revenue growth adjusted for enacted revenue changes. Figure 5 shows the change in the major taxes over the last four quarters.

Table 4 shows revenue growth after adjusting for legislated tax changes and processing variations. In all, states implemented net tax hikes generating \$1.1 billion in the January-March 2004 quarter. Table 5 shows the percentage change in each state’s total tax revenue adjusted for legislated tax changes and inflation.

### Personal Income Tax

Personal income tax revenue grew by 8.7 percent in the January-March quarter compared to the same quarter the year before. This was the third straight quarter of growth after two years of decline. The strongest growth was in the Mid-Atlantic region at 16.1 percent, while the weakest was in the Great Lakes region at only 1.4 percent. Growth was widespread, affecting 33 of the 41 states having broad-based personal income tax. Connecticut and Maryland tied for the strongest growth with 22.7 percent. Ten other states also had double-digit increases.<sup>1</sup> New Mexico had the largest decline at 12.1 percent.

We can get a better idea of what is really happening with the personal income tax by breaking it down into its component parts: withholding, quarterly estimated payments, and final settlements. While this report generally covers the January-March period, we have collected estimated payments data along with some final settlements information for April to offer a glimpse into how states fared for personal income tax revenue during this key month.

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

	<i>PIT</i>	<i>Sales</i>	<i>Total</i>
<b>1997</b>			
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
<b>1998</b>			
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
<b>1999</b>			
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
<b>2000</b>			
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
<b>2001</b>			
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)
<b>2002</b>			
Jan.-Mar.	(14.5)	(2.4)	(8.4)
April-June	(22.5)	0.1	(11.9)
July-Sept.	(2.1)	2.7	0.7
Oct.-Dec.	(1.6)	0.7	0.3
<b>2003</b>			
Jan.-Mar.	(4.4)	1.0	(1.0)
April-June	(2.0)	1.3	0.4
July-Sept.	3.9	1.9	2.6
Oct.-Dec.	5.3	4.2	4.9
<b>2004</b>			
Jan.-Mar.	8.0	6.8	7.1

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-1997 data, call the Fiscal Studies Program.

### *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 6 shows that withholding for the January-March 2004 quarter increased by 8.6 percent over the same quarter the year before. Enacted changes in withholding boosted collections by about five-tenths of a per-

cent in this quarter. Growth in withholding collections has been gaining strength over the last year, and is now very strong.

### *Estimated Payments*

The highest-income taxpayers generally pay most estimated tax payments (also known as declarations) on their non-wage income. This income often comes from investments, especially capital gains realized in the stock market. The stronger stock market should eventually translate into capital gains and higher estimated tax payments.

For the 2003 tax year, the mean decline in estimated tax payments was 1.1 percent compared to the year before. (See Table 7.) The fourth quarterly payment — usually paid in December or January — had a slight mean increase of 4.3 percent. Estimated taxpayers typically try to align their payments with their actual income with this last payment. So the upward trend in estimated payments through the year should reflect a strengthening economy.

The first quarterly payment for 2004 was made in April and the trend is up even more strongly. For the 29 states for which we have data, payments increased by 28.0 percent. An increase in the top personal income tax rate in New York may have skewed this median growth upwards, but growth in the median states is still a healthy 14.8 percent.

### **Key to Interpreting Tables**

- All percent change tables are based on year-over-year changes.
- 1 indicates data through February only.
  - 2 indicates data through January only
  - \* 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 indicates not applicable.
  - ND indicates no data.
  - NM indicates not meaningful.
- Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1997. For data through 1991 call the Fiscal Studies Program.

### Final Settlements

Final settlements are payments that taxpayers make or refunds they receive when filing annual tax returns. In most states, the filing deadline is April 15th, but some states have later deadlines or do not finish final settlements' processing until May. A preliminary survey indicates that states' final settlements are stronger this year than in the previous two years. Twenty-three of 26 states reported growth in April 2004 payments compared to the year before, median growth was nearly 15 percent. State refund payments have also increased slightly. Many states have reported that final settlements are running ahead of budget estimates.

While it may be premature to declare another "April Surprise" as experienced by states from the mid 1990s through 2001 — when final settlement collections substantially exceeded projections — it does appear that states are having a good year. This suggests that fiscal year 2004 budgets will not be thrown out of balance, and the forthcoming fiscal year 2005 budgets will be balanced more easily.

### General Sales Tax

Sales tax revenue in the January-March 2004 quarter increased by 8.3 percent over the same quarter the year before. This is the fifth straight quarter of strengthening growth and the strongest growth in sales tax since January-March of 1995. This growth was significantly aided by legislated tax increases.

Sales tax revenue grew fastest in the Far West region with 12 percent growth. The weakest growth was in the New England region, where sales tax revenue increased by 3.4 percent. Thirteen states had double-digit growth in sales tax revenue.<sup>2</sup> In five of these states, the increase was due in large part to legislated tax increases.<sup>3</sup> Only two states had sales tax revenue declines.<sup>4</sup>

### Corporate Income Tax

Corporate income tax revenue grew by 15.2 percent in the January-March quarter, the seventh straight quarter of growth after seven quarters of decline. The growth this quarter in this notoriously

**Table 5. Percent Change in Quarterly Total Tax Revenue by State, Adjusted for Legislation and Inflation, January to March 2003 to 2004**

<b>United States</b>	<b>5.5%</b>
<b>New England</b>	<b>5.9</b>
Connecticut	8.1
Maine	5.3
Massachusetts	4.7
New Hampshire	4.8
Rhode Island	6.2
Vermont	3.8
<b>Mid-Atlantic</b>	<b>7.3</b>
Delaware	12.6
Maryland	17.5
New Jersey	3.5
New York	7.6
Pennsylvania	5.8
<b>Great Lakes</b>	<b>2.3</b>
Illinois	5.5
Indiana	5.8
Michigan	4.0
Ohio	(3.4)
Wisconsin	(1.2)
<b>Plains</b>	<b>2.3</b>
Iowa	6.7
Kansas	(3.1)
Minnesota	(0.3)
Missouri	6.1
Nebraska	4.5
North Dakota	2.4
South Dakota	0.9
<b>Southeast</b>	<b>4.5</b>
Alabama	2.6
Arkansas	2.5
Florida	8.6
Georgia	3.5
Kentucky	2.3
Louisiana	(2.4)
Mississippi	0.8
North Carolina	4.6
South Carolina	3.8
Tennessee	4.9
Virginia	7.8
West Virginia	3.1
<b>Southwest</b>	<b>4.3</b>
Arizona	3.3
New Mexico	(0.3)
Oklahoma	16.3
Texas	3.3
<b>Rocky Mountain</b>	<b>3.7</b>
Colorado	3.0
Idaho	2.8
Montana	(1.3)
Utah	5.2
Wyoming	13.8
<b>Far West</b>	<b>9.6</b>
Alaska	41.8
California	9.5
Hawaii	13.4
Nevada	22.2
Oregon	9.3
Washington	3.5

Inflation measured by BEA State and Local Government Implicit Price Deflator.

**Table 6. Change in Personal Income Tax Withholding by State, Last Four Quarters**

	2003			2004
	Apr.-June	July-Sept	Oct.-Dec.	Jan.-Mar.
<b>United States</b>	<b>1.6%</b>	<b>5.1%</b>	<b>6.1%</b>	<b>8.6%</b>
<b>New England</b>	<b>(2.9)</b>	<b>5.5</b>	<b>5.1</b>	<b>5.6</b>
Connecticut	(7.6)	13.2	10.1	ND
Maine	2.5	4.1	4.4	6.5
Massachusetts	(2.9)	2.5	2.9*	4.9
Rhode Island	4.5	5.9	6.2	10.6
Vermont	5.1*	5.6	8.2	7.3
<b>Mid-Atlantic</b>	<b>1.9</b>	<b>8.0</b>	<b>11.8</b>	<b>15.4</b>
Delaware	(0.6)	5.4	5.9	8.6
Maryland <sup>1</sup>	2.2	3.1*	23.3	12.6
New Jersey	4.8	20.6	15.2	10.0
New York	1.5	8.0*	9.2*	19.0*
Pennsylvania	1.5	3.0	3.2	10.1
<b>Great Lakes</b>	<b>(0.4)</b>	<b>0.2</b>	<b>1.5</b>	<b>4.4</b>
Illinois	(0.9)	ND	ND	6.7
Indiana	(9.1)*	2.6	3.8	4.5
Michigan	(1.8)¶	(4.7)	(1.7)¶	0.5¶
Ohio	1.6	2.4	2.0	5.0
Wisconsin	1.0	2.2	3.1	5.1
<b>Plains</b>	<b>1.5</b>	<b>4.2</b>	<b>2.3</b>	<b>6.1</b>
Iowa	1.9	3.5	6.2	8.4
Kansas	(0.9)	4.5	3.4	4.3
Minnesota	2.0	3.6	1.0	4.8
Missouri	1.5	5.3	0.4	7.8
Nebraska	0.9	3.7*	4.7*	4.6*
North Dakota	10.8	4.6	9.1	4.9
<b>Southeast</b>	<b>1.5</b>	<b>3.7</b>	<b>5.4</b>	<b>6.8</b>
Alabama	(2.1)	5.2	7.5	2.7
Arkansas	1.3	3.6	4.8	5.8
Georgia <sup>2</sup>	(2.0)	3.9	2.9	12.3
Kentucky	(0.7)	4.1	2.2	4.6
Louisiana	22.7	19.3*	18.7*	6.8*
Mississippi	10.8	(4.8)	(6.6)	5.0
North Carolina	0.0	2.0	6.3	7.2
South Carolina	2.1	2.2	3.1	4.5
Virginia	2.6	4.6	8.1	9.1
West Virginia	9.1	(4.3)	2.9	0.5
<b>Southwest</b>	<b>1.1</b>	<b>2.6</b>	<b>3.2</b>	<b>4.9</b>
Arizona	3.6	(2.5)	1.0	4.8
New Mexico	(3.7)	13.8¶	6.3¶	(2.8)¶
Oklahoma	0.6*	3.7	4.4	8.3
<b>Rocky Mountain</b>	<b>(0.8)</b>	<b>3.1</b>	<b>2.2</b>	<b>4.8</b>
Colorado	(1.4)	2.0	0.2	3.8
Idaho	(0.1)	3.5	3.1	7.9
Montana	9.9	6.6	13.8	3.3
Utah	(2.9)	4.1	3.0	5.8
<b>Far West</b>	<b>5.9</b>	<b>7.7</b>	<b>6.4</b>	<b>8.5</b>
California	6.5*	8.2	6.8	8.7
Hawaii	1.8	5.7¶	5.2¶	3.9¶
Oregon	3.1	4.7	4.6	7.9

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.  
See page 5 for Notes.

volatile revenue source was slightly stronger than the previous quarter's 11.1 percent.

## Underlying Reasons for Trends

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

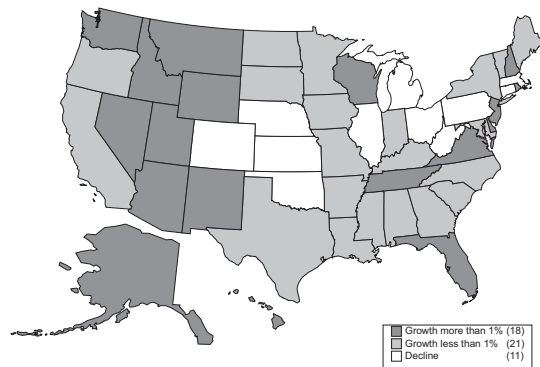
## State Economies

The national economy is experiencing sustained growth, though with some areas of continued weakness. The Bureau of Economic Analysis' (BEA's) preliminary estimate for the Gross Domestic Product (GDP) showed growth of 4.4 percent for the first quarter of 2004.<sup>5</sup> The national unemployment rate was 5.6 percent for the fourth quarter, showing steady improvement over the previous two quarters.<sup>6</sup>

The difficulty 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), are the only broad-based, timely, high-quality state-level economic indicators available. Yet, these data are far from ideal predictors 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. Moreover, employment data is sometimes subject to large retroactive revisions.

Table 8 shows year-over-year employment growth for the nation and for each state during the last four quarters using BLS data. Figure 6 maps the change in first quarter 2004 employment compared to the same period in 2003. By this measure, employment in the January-March 2004 quarter grew by 0.2 percent compared to the year before. This is the first quarter of growth in national employment numbers, after nine straight

**Figure 6**  
Change in Non-Farm Employment  
January-March 2003 to 2004



quarters of decline. The growth is still rather modest, and has not spread to all areas of the nation.<sup>7</sup>

Employment growth was strongest in the Southeast at one percent, and strong in the Far West at 0.7 percent. Employment declined the most in New England at 0.4 percent. The only other region with decline was the Great Lakes states.

Employment grew in 39 states, up from 27 in the previous quarter. Nineteen states had employment growth of one percent or more, led by Nevada with a strong 4.2 percent growth. Only three states had employment declines of one percent or more, with Massachusetts and Michigan tying for the work decline at 1.1 percent.

Overall, the employment picture has moved into solid growth in this quarter. The states with the strongest growth are concentrated in the southern and western regions of the country, the pattern seen before the recent recession, and consistent with the overall pattern of population growth. There seem to be only a few problem areas where employment is still declining.

### 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 will

**Table 7. Estimated Payments/Declarations**  
(change year-over-year)

State	April-January (All four payments for 2003)	December to January (Fourth payment only)	April 2004 (First 2004 payment)
<b>Average (Mean)</b>	<b>(1.1)%</b>	<b>4.3%</b>	<b>28.0%</b>
<b>Median</b>	<b>(1.4)</b>	<b>2.8</b>	<b>14.8</b>
Alabama	(1.4)	4.3	26.6
Arizona	27.2	27.2	ND
Arkansas	(2.9)	(12.1)	318.3
California	(3.2)	(2.3)	18.4
Colorado	2.1	5.5	30.0
Delaware	7.5	8.1	19.7
Georgia	12.8	36.6	ND
Hawaii	(4.1)	3.3	72.7
Illinois	ND	ND	10.9
Indiana	(0.8)	3.0	1.2
Iowa	1.7	4.2	12.3
Kansas	(7.4)	0.4	10.1
Kentucky	(12.3)	(38.8)	(11.9)
Louisiana	0.6	7.3	ND
Maine	1.4	6.7	14.8
Maryland	(14.8)	2.8	ND
Massachusetts	5.1	11.6	19.3
Michigan	(4.0)	(0.5)	0.8
Minnesota	(11.7)	0.1	(20.5)
Mississippi	(24.8)	(59.4)	(85.6)
Missouri	(3.4)	2.5	ND
Montana	1.2	7.2	(19.5)
Nebraska	(8.5)	(6.2)	29.3
New Jersey	(1.2)	5.0	ND
New Mexico	(24.4)	(15.7)	ND
New York	5.7	21.6	69.2
North Carolina	(5.3)	(3.4)	10.3
North Dakota	1.0	1.6	21.4
Ohio	(7.1)	(6.2)	11.5
Oklahoma	(3.7)	6.3	ND
Oregon	2.0	0.8	(55.4)
Pennsylvania	5.3	16.9	22.3
Rhode Island	(6.5)	(11.6)	59.2
South Carolina	8.1	32.8	17.0
Vermont	(4.2)	2.4	19.5
Virginia	0.2	5.1	16.1
West Virginia	(4.7)	(2.3)	(2.7)
Wisconsin	0.5	(1.3)	ND

tend to see stronger growth in good times, since they benefit from growth in income earned by the highest income individuals, the income that is taxed most heavily. This is most evident in 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



## State Tax Revenue Recovery Gathering Steam

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

	2003			2004
	April- June	July- Sept.	Oct.- Dec.	Jan.- Mar.
<b>United States</b>	<b>(0.4)%</b>	<b>(0.4)%</b>	<b>(0.2)%</b>	<b>0.2%</b>
<b>Sum of States</b>	<b>(0.5)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>0.5</b>
<b>New England</b>	<b>(1.4)</b>	<b>(1.2)</b>	<b>(0.9)</b>	<b>(0.4)</b>
Connecticut	(1.6)	(1.3)	(1.0)	(0.6)
Maine	(0.5)	0.0	0.4	0.6
Massachusetts	(1.9)	(2.0)	(1.8)	(1.1)
New Hampshire	(0.6)	(0.2)	0.5	1.1
Rhode Island	0.8	1.2	1.0	1.5
Vermont	(0.6)	0.1	0.2	0.7
<b>Mid Atlantic</b>	<b>(0.5)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>0.3</b>
Delaware	(0.1)	(0.2)	0.2	1.1
Maryland	0.2	0.3	0.6	0.9
New Jersey	(0.4)	0.4	0.6	1.2
New York	(0.7)	(0.8)	(0.6)	0.1
Pennsylvania	(0.6)	(0.7)	(0.7)	(0.4)
<b>Great Lakes</b>	<b>(0.8)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(0.2)</b>
Illinois	(1.2)	(1.3)	(0.8)	(0.3)
Indiana	(0.0)	(0.7)	(0.1)	0.7
Michigan	(1.4)	(2.0)	(1.6)	(1.1)
Ohio	(0.8)	(1.1)	(1.1)	(0.3)
Wisconsin	(0.1)	0.1	(0.3)	1.1
<b>Plains</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(0.2)</b>	<b>0.3</b>
Iowa	(0.9)	(0.4)	0.0	0.7
Kansas	(2.2)	(2.1)	(1.1)	0.0
Minnesota	(0.1)	(0.2)	0.0	0.5
Missouri	(0.5)	(0.9)	(0.5)	0.2
Nebraska	(0.4)	(0.4)	(0.1)	(0.3)
North Dakota	0.8	1.0	1.0	1.0
South Dakota	0.1	0.0	0.4	0.9
<b>Southeast</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.5</b>	<b>1.0</b>
Alabama	(0.5)	(0.5)	(0.5)	0.2
Arkansas	(0.7)	(0.4)	0.2	0.3
Florida	1.2	1.7	1.8	1.9
Georgia	(0.9)	0.0	0.1	0.6
Kentucky	(0.4)	(0.5)	(0.1)	0.7
Louisiana	0.3	0.2	0.6	0.3
Mississippi	(1.2)	(1.0)	0.3	0.4
North Carolina	(1.3)	(0.8)	(0.4)	0.5
South Carolina	0.1	0.2	0.6	0.8
Tennessee	0.1	0.0	0.3	1.1
Virginia	(0.1)	0.3	0.6	2.2
West Virginia	(1.0)	(0.7)	(1.1)	(0.3)
<b>Southwest</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(0.2)</b>	<b>0.4</b>
Arizona	0.6	1.1	1.5	2.2
New Mexico	1.0	1.1	1.4	1.3
Oklahoma	(2.7)	(3.2)	(2.1)	(1.0)
Texas	(0.6)	(0.7)	(0.4)	0.2
<b>Rocky Mountain</b>	<b>(0.8)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>0.4</b>
Colorado	(2.0)	(1.6)	(1.1)	(0.6)
Idaho	0.6	0.4	0.1	1.3
Montana	1.2	1.0	0.7	1.3
Utah	(0.2)	0.3	0.6	1.3
Wyoming	0.4	1.1	1.8	2.1
<b>Far West</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.7</b>
Alaska	1.6	1.3	1.4	1.6
California	(0.5)	(0.3)	(0.2)	0.4
Hawaii	1.7	1.4	1.6	1.8
Nevada	2.7	3.5	3.9	4.2
Oregon	(1.1)	(1.3)	(0.3)	0.4
Washington	0.0	0.1	0.5	1.1

Source: Bureau of Labor Statistics.

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 natural gas.)

Because high-end incomes are 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 be if it were based entirely on wages and salaries. In the recent recession, we saw the downside of this volatility. While initially the 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. The recession lasted only eight months, but it had significant after effects as the loss of investment capital manifested itself in weak employment numbers, which in turn depressed withholding. However, the stock market recovery seems to be leading to stronger growth again.

States have also learned 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, were more subject to plunges in sales tax revenue as state residents became nervous about spending on optional and big-ticket items. In the latest economic downturn, however, the sales tax generally maintained slow growth, exhibiting less volatility than the personal income or corporate income taxes. It is now growing strongly as the general economic conditions improve.

Oil has been a 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' revenue tends to follow suit. This dynamic often operates largely independently of the general economy.

## **Tax Law Changes Affecting This Quarter**

The final element affecting trends in tax revenue growth is changes in states' tax laws. 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 receipts' processing changes have had a major impact on revenue growth, even though these are not due to enacted legislation, as it helps the reader to understand that the apparent growth or decline is not necessarily indicative of underlying trends.

During the January-March 2004 quarter, enacted tax changes and processing variations increased state revenue by an estimated net \$1.1 billion, compared to the same period in 2003. This was the ninth straight quarter of net enacted tax increases.

Enacted sales tax changes accounted for a net increase of approximately \$650 million in the January-March quarter. Ohio had an increase of nearly \$400 million, and New York had an increase of over \$201 million. Both states increased their sales tax rates and broadened the bases of their sales taxes. The reimposition of the sales tax on clothing in New York was particularly significant.

Enacted tax changes increased personal income tax collections by a net of almost \$300 million. The largest increase was in New York where a new top rate increased collections by over \$400 million. Processing changes in Massachusetts depressed tax collections by almost \$200 million.

Michigan's tax collections were reduced by almost \$600 million in this quarter due to the effects of a previous acceleration in the collection of the state education property tax.

## **Conclusions**

Over the last three quarters, there has been an accelerating rate of growth in state tax revenues. Some of this growth has occurred as the result of legislated tax increases, but the January-March quarter growth was strong even after the effects of tax hikes were factored out. The revival in state tax revenues is coming from the same source that the previous decline came from: personal income tax. However, the sales and corporate income taxes are also growing strongly. It presently appears that when all final settlements are accounted for, fiscal year 2004 should end on an up-note for most states. While the hangover from the budget crisis of the last two years has not completely dissipated, there is now reason to hope that there will be no more bad news from the revenue side of the budget equation. At least for now.

## **Endnotes**

- 1 Arizona, California, Delaware, Iowa, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, and Utah.
- 2 California, Florida, Hawaii, Idaho, Maryland, Nevada, New York, North Carolina, Ohio, Oklahoma, Vermont, Virginia, and Wyoming.
- 3 Idaho, New York, Ohio, Oklahoma, and Vermont.
- 4 Louisiana's decline was due in part to a legislated tax cut; Massachusetts' decline was due to processing variations.
- 5 United States Department of Commerce, Bureau of Economic Analysis News Release, May 27, 2004.
- 6 United States Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics From the Current Population Survey*, [www.bls.gov](http://www.bls.gov).
- 7 Note that the employment numbers have been revised as BLS has moved from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS) and made other revisions to its sampling methodology. These revisions have not changed the overall trend.

## State Tax Revenue Recovery Gathering Steam

**Table 9**  
**Change in Tax Revenue by State, July to March 2003 and 2004 (In Millions of Dollars)**

	<i>Personal Income</i>	<i>Corporate Income</i>	<i>Sales</i>	<i>Total</i>
<b>United States</b>	<b>7.1%</b>	<b>9.8%</b>	<b>6.7%</b>	<b>6.8%</b>
<b>New England</b>	<b>8.0</b>	<b>15.3</b>	<b>2.3</b>	<b>5.5</b>
Connecticut	15.1	(13.9)	2.7	6.9
Maine	6.3	24.1	7.6	8.3
Massachusetts	5.3	35.8	(0.2)	4.2
New Hampshire	NA	(7.2)	NA	2.4
Rhode Island	7.7	24.3	4.6	6.2
Vermont	3.9	54.3	13.5	8.6
<b>Mid Atlantic</b>	<b>10.5</b>	<b>3.3</b>	<b>10.3</b>	<b>9.0</b>
Delaware	8.0	17.2	NA	12.7
Maryland	12.8	10.2	7.8	10.7
New Jersey	6.2	12.5	5.4	6.4
New York	11.3	(1.6)	14.9	10.1
Pennsylvania	6.3	12.0	2.4	5.1
<b>Great Lakes</b>	<b>1.0</b>	<b>14.9</b>	<b>8.5</b>	<b>5.3</b>
Illinois	2.5	46.8	4.9	7.5
Indiana	2.9	(2.9)	15.9	9.1
Michigan	(2.2)	(0.6)	(1.2)	(0.7)
Ohio	0.5	19.2	22.4	9.5
Wisconsin	1.7	23.7	3.8	3.5
<b>Plains</b>	<b>4.2</b>	<b>6.8</b>	<b>3.0</b>	<b>3.8</b>
Iowa	6.0	(6.8)	1.0	3.0
Kansas	4.4	107.7	2.3	4.8
Minnesota	3.4	7.9	2.0	3.6
Missouri	4.1	(11.9)	3.8	3.3
Nebraska	5.1	43.9	8.0	7.4
North Dakota	(0.3)	(9.5)	2.3	1.3
South Dakota	NA	NA	6.0	2.9
<b>Southeast</b>	<b>4.5</b>	<b>6.2</b>	<b>5.5</b>	<b>5.4</b>
Alabama	4.2	(5.4)	4.6	3.3
Arkansas	4.4	7.0	5.5	6.0
Florida	NA	21.2	8.4	10.0
Georgia	4.1	1.6	3.6	4.6
Kentucky	0.2	12.4	2.1	0.8
Louisiana	14.1	15.5	(8.5)	1.7
Mississippi	0.1	2.7	(1.0)	(0.4)
North Carolina	3.7	(13.6)	8.2	4.0
South Carolina	1.9	28.5	5.0	3.2
Tennessee	NA	14.1	8.0	7.3
Virginia	7.5	20.5	8.3	8.0
West Virginia	(0.7)	(12.4)	4.2	6.4
<b>Southwest</b>	<b>5.7</b>	<b>35.1</b>	<b>4.2</b>	<b>5.2</b>
Arizona	4.7	28.3	7.8	6.5
New Mexico	1.4	55.8	1.2	7.5
Oklahoma	8.6	39.4	8.4	14.0
Texas	NA	NA	3.5	3.4
<b>Rocky Mountain</b>	<b>4.1</b>	<b>23.1</b>	<b>6.8</b>	<b>6.8</b>
Colorado	3.1	28.7	3.0	3.5
Idaho	3.0	9.7	22.9	11.9
Montana	5.5	35.7	NA	9.0
Utah	6.4	19.5	2.2	4.9
Wyoming	NA	NA	9.0	28.7
<b>Far West</b>	<b>9.4</b>	<b>15.9</b>	<b>6.9</b>	<b>8.6</b>
Alaska	NA	(13.8)	NA	29.3
California	9.9	13.7	7.4	8.6
Hawaii	5.2	NM	5.9	5.5
Nevada	NA	NA	12.9	19.2
Oregon	6.5	65.3	NA	8.8
Washington	NA	NA	3.0	4.9

See p. 5 for notes.

**Table 10**  
**State Tax Revenue, January to March, 2003 and 2004 (In Millions of Dollars)**

	2003				2004			
	<i>Personal Income</i>	<i>Corporate Income</i>	<i>Sales</i>	<i>Total</i>	<i>Personal Income</i>	<i>Corporate Income</i>	<i>Sales</i>	<i>Total</i>
<b>United States</b>	<b>\$42,880</b>	<b>\$6,136</b>	<b>\$43,523</b>	<b>\$112,796</b>	<b>\$46,600</b>	<b>\$7,067</b>	<b>\$47,151</b>	<b>\$121,898</b>
<b>New England</b>	<b>3,366</b>	<b>538</b>	<b>2,080</b>	<b>7,592</b>	<b>3,660</b>	<b>623</b>	<b>2,151</b>	<b>8,075</b>
Connecticut	1,061	139	751	2,393	1,302	144	798	2,688
Maine	191	14	192	490	204	19	207	534
Massachusetts	1,884	298	896	3,719	1,896	383	881	3,779
New Hampshire	NA	46	NA	309	NA	39	NA	328
Rhode Island	159	32	183	480	187	27	194	523
Vermont	72	9	59	202	71	11	72	225
<b>Mid Atlantic</b>	<b>11,409</b>	<b>1,434</b>	<b>5,968</b>	<b>23,312</b>	<b>13,241</b>	<b>1,593</b>	<b>6,557</b>	<b>26,272</b>
Delaware	166	19	NA	436	190	21	NA	527
Maryland	1,184	86	655	2,042	1,453	147	720	2,456
New Jersey	1,709	264	1,430	4,271	1,782	287	1,537	4,596
New York	6,526	751	2,074	10,590	7,787	804	2,438	12,281
Pennsylvania	1,825	315	1,809	5,973	2,029	335	1,862	6,412
<b>Great Lakes</b>	<b>6,858</b>	<b>1,350</b>	<b>6,632</b>	<b>17,748</b>	<b>6,955</b>	<b>1,561</b>	<b>7,212</b>	<b>18,349</b>
Illinois	2,025	257	1,411	4,416	2,155	347	1,516	4,858
Indiana	833	50	1,112	2,311	845	74	1,193	2,498
Michigan	1,207	348	1,783	4,674	1,230	416	1,792	4,299
Ohio	1,664	501	1,457	4,045	1,609	533	1,808	4,384
Wisconsin	1,130	194	869	2,302	1,115	192	902	2,310
<b>Plains</b>	<b>3,896</b>	<b>368</b>	<b>2,976</b>	<b>8,004</b>	<b>4,119</b>	<b>385</b>	<b>3,102</b>	<b>8,339</b>
Iowa	612	43	408	1,179	679	58	429	1,277
Kansas	343	17	441	914	351	18	449	901
Minnesota	1,537	200	1,037	3,164	1,580	190	1,065	3,202
Missouri	1,102	45	607	1,754	1,190	54	652	1,896
Nebraska	241	42	277	594	262	43	291	649
North Dakota	62	22	88	233	57	23	94	242
South Dakota	NA	NA	117	167	NA	NA	122	173
<b>Southeast</b>	<b>7,185</b>	<b>976</b>	<b>11,204</b>	<b>23,912</b>	<b>7,457</b>	<b>1,188</b>	<b>11,998</b>	<b>25,475</b>
Alabama	632	60	443	1,760	654	67	464	1,832
Arkansas	465	50	429	1,018	494	57	464	1,094
Florida	NA	239	3,728	4,933	NA	278	4,131	5,427
Georgia	1,394	136	1,153	3,062	1,478	167	1,175	3,246
Kentucky	613	(4)	652	1,595	566	33	702	1,659
Louisiana	449	(9)	617	1,376	490	3	542	1,370
Mississippi	180	105	587	1,194	180	115	612	1,222
North Carolina	1,481	158	924	2,945	1,507	197	1,046	3,145
South Carolina	257	41	505	974	263	42	533	1,027
Tennessee	NA	147	1,355	2,009	NA	159	1,447	2,138
Virginia	1,476	16	565	2,340	1,587	44	623	2,560
West Virginia	238	36	247	707	238	27	260	754
<b>Southwest</b>	<b>934</b>	<b>95</b>	<b>5,561</b>	<b>10,140</b>	<b>1,022</b>	<b>132</b>	<b>5,981</b>	<b>10,849</b>
Arizona	362	57	771	1,319	422	43	833	1,405
New Mexico	182	21	354	696	160	46	355	724
Oklahoma	390	17	344	967	440	43	380	1,167
Texas	NA	NA	4,091	7,158	NA	NA	4,414	7,553
<b>Rocky Mountain</b>	<b>1,231</b>	<b>59</b>	<b>1,087</b>	<b>2,928</b>	<b>1,301</b>	<b>71</b>	<b>1,175</b>	<b>3,147</b>
Colorado	666	22	457	1,182	708	12	474	1,235
Idaho	181	5	194	537	178	14	242	604
Montana	119	8	NA	271	121	16	NA	283
Utah	265	24	366	775	294	29	381	833
Wyoming	NA	NA	70	162	NA	NA	79	192
<b>Far West</b>	<b>8,001</b>	<b>1,315</b>	<b>8,016</b>	<b>19,160</b>	<b>8,846</b>	<b>1,515</b>	<b>8,976</b>	<b>21,393</b>
Alaska	NA	(1)	NA	172	NA	4	NA	248
California	6,909	1,313	5,567	14,454	7,655	1,467	6,339	16,054
Hawaii	254	(25)	455	772	262	12	506	874
Nevada	NA	NA	526	605	NA	NA	621	838
Oregon	838	29	NA	902	929	32	NA	999
Washington	NA	NA	1,468	2,254	NA	NA	1,510	2,380

## State Tax Revenue Recovery Gathering Steam

**Table 11**  
**State Tax Revenue, July to March, FY 2003 and FY 2004 (In Millions of Dollars)**

	FY 2003				FY 2004			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
<b>United States</b>	<b>\$151,983</b>	<b>\$19,547</b>	<b>\$138,982</b>	<b>\$370,361</b>	<b>\$162,769</b>	<b>\$21,468</b>	<b>\$148,257</b>	<b>\$395,508</b>
<b>New England</b>	<b>9,800</b>	<b>1,091</b>	<b>6,134</b>	<b>21,200</b>	<b>10,588</b>	<b>1,258</b>	<b>6,276</b>	<b>22,361</b>
Connecticut	2,601	338	2,040	6,089	2,993	291	2,094	6,509
Maine	686	53	571	1,559	729	66	615	1,688
Massachusetts	5,667	532	2,772	10,663	5,965	723	2,767	11,114
New Hampshire	NA	113	NA	880	NA	105	NA	901
Rhode Island	568	37	581	1,394	611	47	608	1,481
Vermont	279	18	170	616	290	27	193	669
<b>Mid Atlantic</b>	<b>52,304</b>	<b>6,580</b>	<b>26,174</b>	<b>100,896</b>	<b>57,776</b>	<b>6,797</b>	<b>28,882</b>	<b>109,959</b>
Delaware	518	36	NA	1,181	559	42	NA	1,331
Maryland	2,958	262	1,762	5,420	3,338	288	1,900	5,998
New Jersey	4,357	1,122	3,881	11,426	4,629	1,262	4,091	12,160
New York	39,531	4,232	14,919	67,849	43,998	4,164	17,144	74,691
Pennsylvania	4,941	928	5,612	15,020	5,253	1,040	5,747	15,780
<b>Great Lakes</b>	<b>21,177</b>	<b>3,158</b>	<b>20,386</b>	<b>53,047</b>	<b>21,378</b>	<b>3,627</b>	<b>22,127</b>	<b>55,840</b>
Illinois	5,622	650	4,545	12,898	5,765	954	4,768	13,862
Indiana	2,517	323	3,036	6,839	2,591	314	3,518	7,462
Michigan	4,560	1,329	5,822	15,331	4,460	1,321	5,750	15,224
Ohio	5,126	461	4,532	11,306	5,152	549	5,547	12,384
Wisconsin	3,353	395	2,451	6,672	3,411	489	2,544	6,908
<b>Plains</b>	<b>11,167</b>	<b>1,017</b>	<b>8,938</b>	<b>23,445</b>	<b>11,632</b>	<b>1,087</b>	<b>9,205</b>	<b>24,340</b>
Iowa	1,727	159	1,281	3,403	1,831	148	1,293	3,504
Kansas	1,206	42	1,342	2,851	1,259	87	1,374	2,989
Minnesota	4,223	458	3,039	9,086	4,365	494	3,101	9,417
Missouri	3,035	233	1,865	5,133	3,160	206	1,936	5,301
Nebraska	826	73	771	1,800	867	105	833	1,933
North Dakota	151	53	276	655	151	48	282	663
South Dakota	NA	NA	365	519	NA	NA	387	534
<b>Southeast</b>	<b>24,000</b>	<b>3,125</b>	<b>33,034</b>	<b>72,246</b>	<b>25,080</b>	<b>3,318</b>	<b>34,865</b>	<b>76,142</b>
Alabama	1,728	214	1,319	4,669	1,800	202	1,379	4,823
Arkansas	1,274	143	1,306	2,912	1,330	153	1,378	3,086
Florida	NA	717	10,734	13,958	NA	869	11,638	15,354
Georgia	4,556	300	3,452	9,098	4,740	304	3,578	9,515
Kentucky	1,966	163	2,101	5,131	1,970	183	2,145	5,172
Louisiana	1,257	72	1,730	4,057	1,434	83	1,582	4,126
Mississippi	721	224	1,768	3,689	722	230	1,750	3,673
North Carolina	5,177	620	2,942	9,605	5,370	535	3,184	9,987
South Carolina	1,722	89	1,345	3,629	1,755	114	1,412	3,746
Tennessee	NA	301	3,991	5,901	NA	343	4,309	6,331
Virginia	4,873	162	1,599	7,530	5,237	195	1,732	8,130
West Virginia	727	122	747	2,068	722	107	778	2,200
<b>Southwest</b>	<b>3,599</b>	<b>318</b>	<b>17,122</b>	<b>30,492</b>	<b>3,804</b>	<b>429</b>	<b>17,840</b>	<b>32,074</b>
Arizona	1,556	209	2,253	4,303	1,629	268	2,428	4,582
New Mexico	636	58	1,044	2,119	646	91	1,057	2,277
Oklahoma	1,408	50	1,056	3,094	1,529	70	1,145	3,528
Texas	NA	NA	12,769	20,976	NA	NA	13,210	21,687
<b>Rocky Mountain</b>	<b>4,328</b>	<b>244</b>	<b>3,282</b>	<b>9,232</b>	<b>4,506</b>	<b>301</b>	<b>3,507</b>	<b>9,863</b>
Colorado	2,281	95	1,385	3,883	2,352	122	1,426	4,020
Idaho	588	47	622	1,601	606	51	764	1,792
Montana	357	29	NA	732	376	40	NA	797
Utah	1,102	74	1,090	2,642	1,173	88	1,114	2,772
Wyoming	NA	NA	185	374	NA	NA	202	482
<b>Far West</b>	<b>25,607</b>	<b>4,015</b>	<b>23,911</b>	<b>59,802</b>	<b>28,005</b>	<b>4,652</b>	<b>25,555</b>	<b>64,929</b>
Alaska	NA	30	NA	573	NA	26	NA	741
California	21,959	3,886	16,443	44,431	24,132	4,419	17,663	48,254
Hawaii	792	(14)	1,339	2,368	833	20	1,418	2,500
Nevada	NA	NA	1,622	1,911	NA	NA	1,831	2,278
Oregon	2,856	114	NA	3,079	3,048	188	NA	3,351
Washington	NA	NA	4,507	7,440	NA	NA	4,644	7,806

## 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.

*Missouri:* The total taxes are the sum of the three major taxes.

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.

## **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. Emrah Arbak assisted with the collection of data for this report.

You can contact the Fiscal Studies Program at The Nelson A Rockefeller Institute of Government, 411 State Street, Albany, NY 12203-1003, (518) 443-5285 (phone), (518) 443-5274 (fax), [fiscal@rockinst.org](mailto:fiscal@rockinst.org) (e-mail).

*Fiscal Studies Program*

**The Nelson A. Rockefeller  
Institute of Government**

*State University of New York*  
411 State Street  
Albany, New York 12203-1003

NONPROFIT  
ORG.  
U.S. POSTAGE  
**PAID**  
**ALBANY, N.Y.**  
**PERMIT NO. 21**