

## HIGHLIGHTS

- Tax revenue totaled \$146.6 billion in January-March 2006, up 6.8 percent from the same period in 2005.
- Adjusting for inflation and legislated tax changes, growth was 0.3 percent, the slowest real adjusted growth in nine quarters.
- Nominal growth in total taxes and corporate income taxes were dragged down by a sharp falloff in California's corporate income tax collections due to its tax amnesty one year ago. Personal income taxes and the sales tax showed strong growth, as did corporate taxes and total taxes when adjusted for the amnesty.
- Revenue growth was strongest in the Far West (13 percent after amnesty adjustment) and weakest in the Great Lakes (5 percent).
- The western regions continue to lead the nation in employment growth.
- State tax revenue growth was reduced by \$66 million in net enacted tax cuts.

## State Tax Revenue Rebounds on Strength in South and West

*Brian T. Stenson with Nai-Ling Kuo*

### Tax Revenue Change

State tax revenue increased 6.8 percent in the January-March quarter of 2006 compared to the same quarter the year before. Although this is the fourth consecutive decline in the quarterly growth measure, nominal results are somewhat misleading because of a corporate income tax amnesty offered by California one year ago, which inflated first quarter results in 2005. Adjusting the 2005 numbers for this significant anomaly, growth continues to be particularly strong, and at 8.93 percent, actually more robust than the fourth quarter of 2005. Tax revenue changes for the last 29 quarters are shown in Table 1.

This record growth in the first quarter solidifies the financial condition of the states for the current fiscal year. In the 46 states with a July-June fiscal year,<sup>1</sup> tax collections have grown 8.1 percent during their first three fiscal quarters, enabling many to entertain tax cuts, deposits to reserves, and investments in education and other program areas. Adjusting for the California tax amnesty, the growth rate has been 9.1 percent. July-to-March totals are shown in Table 11.

Inflation remained quite high, with the state and local government consumption expenditure index growing 6.6 percent this quarter. However, tax legislation and other processing changes had only a minor net impact on state tax collections in the January-March quarter, with relatively small legislated cuts in some states nearly balanced by small increases in others. When the effects of enacted tax cuts and inflation are considered, real adjusted state tax revenue increased only 0.3 percent, as shown also in Table 1. This is the slowest real adjusted state tax growth since July-September 2003, but the import is largely negated by the California amnesty effect. The pattern of growth in state tax revenue, adjusted for inflation and enacted tax increases from 1991 to the present is illustrated in Figure 1.

All three major state taxes showed strong growth:

- ✓ Personal income tax revenue increased 10.7 percent, an improvement over the past two quarters.
- ✓ Sales tax grew 6.5 percent.
- ✓ The corporate income tax showed a nominal decline of 13.7 percent, a reduction attributable to the year-over-year decline recorded by California because of the tax amnesty. Adjusting for California's amnesty, the corporate income tax rose 12.5 percent from the same period in 2005.

<b>Table 1</b>				
<b>Quarterly State Tax Revenue</b>				
<b>Adjusted for Legislated Tax Changes and Inflation</b>				
<b>Year-Over-Year Percent Change</b>				
	<b>Total</b>	<b>Adjusted</b>		
	<b>Nominal</b>	<b>Nominal</b>	<b>Inflation</b>	<b>Adjusted</b>
	<b>Change</b>	<b>Change</b>	<b>Rate</b>	<b>Real Change</b>
<b>2006</b>				
Jan.-Mar.	6.8 %	6.9 %	6.6 %	0.3 %
<b>2005</b>				
Oct.-Dec.	7.6	7.7	6.7	0.9
July-Sept.	9.3	9.7	5.7	3.8
April-June	13.2	12.9	4.5	8.0
Jan.-Mar.	11.4	9.5	5.1	4.2
<b>2004</b>				
Oct.-Dec.	7.8	7.3	4.9	2.3
July-Sept.	8.6	8.1	3.7	4.2
April-June	11.2	9.0	3.2	5.6
Jan.-Mar.	8.1	7.1	1.5	5.5
<b>2003</b>				
Oct.-Dec.	7.3	4.9	2.3	2.5
July-Sept.	4.5	2.6	2.8	(0.2)
April-June	3.2	0.4	3.0	(2.5)
Jan.-Mar.	1.4	(1.0)	4.2	(5.0)
<b>2002</b>				
Oct.-Dec.	1.9	0.3	3.0	(2.6)
July-Sept.	2.5	0.7	2.5	(1.8)
April-June	(10.6)	(12.1)	2.3	(14.1)
Jan.-Mar.	(7.8)	(8.2)	2.0	(10.0)
<b>2001</b>				
Oct.-Dec.	(2.7)	(2.2)	2.1	(4.2)
July-Sept.	(3.1)	(2.4)	2.6	(4.9)
April-June	2.5	4.2	3.2	1.0
Jan.-Mar.	5.1	6.3	3.4	2.8
<b>2000</b>				
Oct.-Dec.	4.0	5.0	4.2	0.8
July-Sept.	7.1	7.7	4.5	3.1
April-June	11.4	11.8	4.5	7.0
Jan.-Mar.	9.7	10.4	4.8	5.3
<b>1999</b>				
Oct.-Dec.	7.4	8.4	3.7	4.5
July-Sept.	6.1	6.7	3.2	3.4
April-June	5.0	8.0	2.7	5.2
Jan.-Mar.	4.8	6.5	2.0	4.4

Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index.

Table 2 shows the last 29 quarters of change in collections of the major state tax sources.

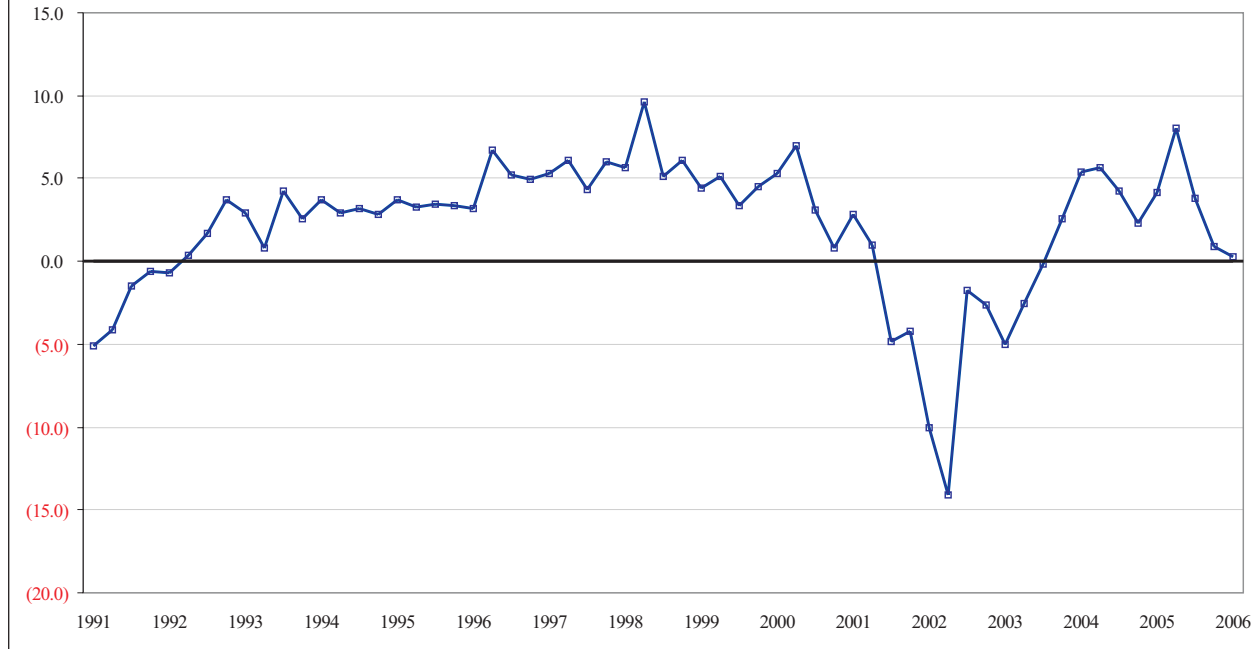
State tax revenue growth remains broad, with several regions showing real strength. The Southeast recorded the strongest growth at 10.5 percent, followed closely by the Southwest at 9.3 percent. Of course, had California's nominal growth not been affected by the 2005 tax amnesty, the Far West would have led the nation by a substantial margin, with growth of 13 percent. Once again, the

<b>Table 2</b>				
<b>Quarterly State Tax Revenue</b>				
<b>By Major Tax, Year-Over-Year Percent Change</b>				
	<b>PIT</b>	<b>CIT</b>	<b>Sales</b>	<b>Total</b>
<b>2006</b>				
Jan.-Mar.	10.7 %	(13.7) %	6.5 %	6.8 %
<b>2005</b>				
Oct.-Dec.	5.7	24.8	5.5	7.6
July-Sept.	9.0	25.4	7.8	9.3
April-June	18.2	21.9	7.9	13.2
Jan.-Mar.	11.6	61.6	6.1	11.4
<b>2004</b>				
Oct.-Dec.	8.8	27.0	6.0	7.8
July-Sept.	8.3	23.2	5.8	8.6
April-June	15.6	13.6	7.1	11.2
Jan.-Mar.	8.7	15.2	8.3	8.1
<b>2003</b>				
Oct.-Dec.	6.6	11.1	6.6	7.3
July-Sept.	5.1	9.0	3.7	4.5
April-June	(0.9)	17.9	2.9	3.1
Jan.-Mar.	(3.1)	10.3	1.9	1.4
<b>2002</b>				
Oct.-Dec.	(0.7)	22.4	0.7	1.9
July-Sept.	(1.6)	4.8	3.8	2.5
April-June	(22.3)	(11.7)	1.5	(10.4)
Jan.-Mar.	(14.3)	(16.1)	(1.0)	(7.8)
<b>2001</b>				
Oct.-Dec.	(2.7)	(31.8)	1.0	(2.7)
July-Sept.	(3.7)	(24.0)	0.0	(3.1)
April-June	5.4	(13.1)	0.5	2.5
Jan.-Mar.	8.7	(9.1)	3.4	5.1
<b>2000</b>				
Oct.-Dec.	5.8	(7.7)	4.2	4.0
July-Sept.	11.0	5.7	4.6	7.1
April-June	18.8	4.2	7.3	11.4
Jan.-Mar.	13.6	8.0	8.2	9.7
<b>1999</b>				
Oct.-Dec.	9.1	3.8	7.3	7.4
July-Sept.	7.6	1.4	6.7	6.1
April-June	6.0	(2.1)	7.3	5.0
Jan.-Mar.	6.6	(2.6)	6.1	4.8

Great Lakes region had the slowest growth at 5.0 percent. Growth of more than ten percent was recorded in 16 states, with the strongest in Georgia, which had a 20.5 percent increase. Only two states — California (again, because of the 2005 amnesty) and Maine — had actual revenue declines in this quarter. Table 3 shows the growth by state and region for the three major state taxes and total state taxes.

This was the third straight quarter with a net cut, though it was quite small — there were about \$66 million in net enacted tax cuts. The Mid-Atlantic and Great Lakes regions had the largest share of the tax cuts. (See Figure 2.) The other regions had

**Figure 1**  
**Real Adjusted Tax Revenue, 1991-2006**  
**Year-Over-Year Percent Change**



relatively small tax increases or cuts that had little effect on tax revenue growth. Table 4 shows the overall effect of legislated tax changes and processing variations. Table 5 shows the percentage change in each state’s total tax revenue, adjusted for legislated tax changes and inflation.

**Personal Income Tax**

Tax revenue grew 10.7 percent in the January-March quarter compared to the same quarter in 2005, and nearly double that of the previous quarter. Comparatively, federal personal income tax collections grew by 9.3 percent over the same period; receipts from the federal social insurance and retirement taxes grew at a comparable pace. In our report on October-December collections we suggested that slower growth in that quarter may have been due to higher-income taxpayers delaying their fourth quarter estimated payments into January. If the January-March performance is any indication, that is exactly what happened. The strongest growth, and by a wide margin, was in the Far West region, where collections grew 21.2 percent. Second was the Southwest, which grew 10.4

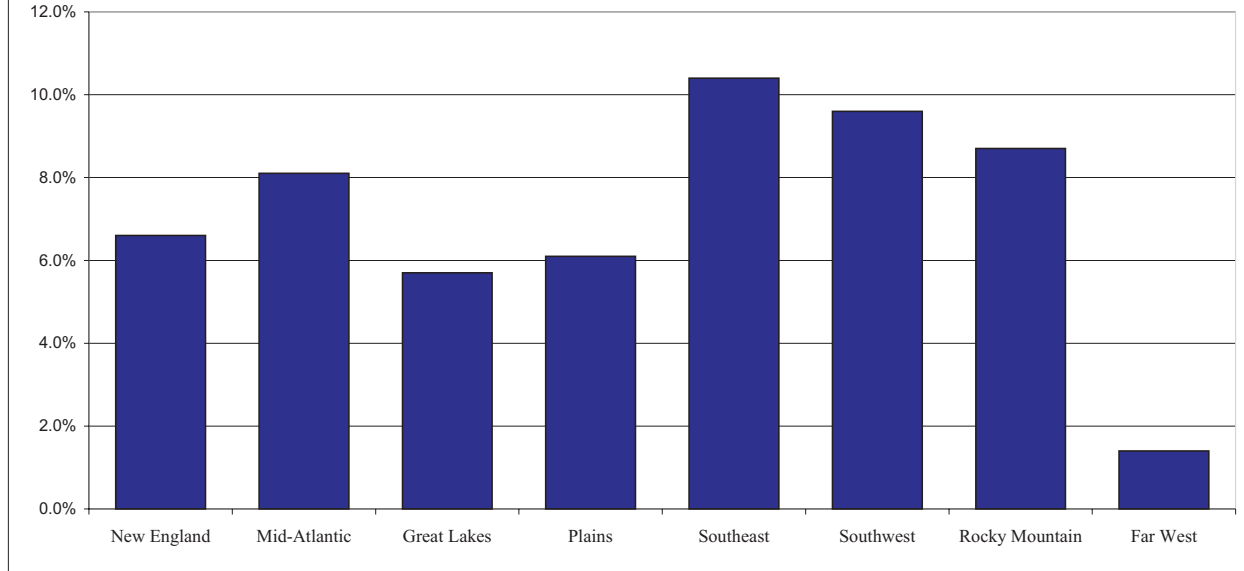
percent. The Great Lakes increased only 3.7 percent. No other region saw growth of less than 7.2 percent. Growth was widespread, affecting 37 of the 41 states with a broad-based personal income tax. Seventeen states had double-digit increases, led by Delaware (25.3 percent) and California (22.6 percent). Maine declined by 10.8 percent and Kentucky by 10.4 percent.

We can get a better idea of what is really happening with the personal income tax by breaking it down into its major component parts: withholding, quarterly estimated payments, and final payments with returns. For this quarter, most collections are from withholding and estimated payments.

**Withholding**

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is much less volatile than estimated payments or final settlements. Table 6 shows that withholding for the January-March 2006 quarter increased 8.5 percent over the same quarter of 2005. This is a significant increase from the 5.4 percent growth in the

**Figure 2**  
**Tax Revenue, Adjusted for Legislated Changes,**  
**January-March, 2005 to 2006**  
**Percent Change**



previous quarter. Enacted tax law changes reduced withholding by four-tenths of a percent in this quarter.

### *Estimated Payments*

The highest-income taxpayers generally pay estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, i.e., capital gains realized in the stock market. A strong stock market should eventually translate into capital gains and higher estimated tax payments. Strong business profits also tend to boost these payments, as do corporate income taxes.

In the 27 states for which we have complete data, the first quarterly payment for 2006, paid by April 15, grew 11.5 percent compared to the year before. (See Table 7.)

Increases were recorded in 21 states, with 16 showing double-digit growth. Six states saw year-over-year declines, led by South Carolina's 41.1 percent drop. The continued increase indicates that most of those who receive nonwage income are expecting it to be higher this year than last. Since last year saw solid growth in estimated

tax payments, this sector of income taxpayers is doing very well indeed.

### *General Sales Tax*

Collections in the January-March 2006 quarter were 6.5 percent above the same quarter in 2005. This is a slight improvement over the 5.5 percent growth the previous quarter.

All regions showed net gains. Sales tax revenue grew fastest in the Southwest region at 13.3 percent with all four states recording double-digit gains. The Great Lakes region and the Far West trailed the nation with a 3.9 percent increase. Mississippi had the strongest growth of any state at 22.0 percent, with neighboring Louisiana posting an 18.7 percent growth rate, presumably reflecting post-hurricane reconstruction. In all, 12 states had double-digit growth. Washington had the weakest performance, with a 21.1 percent decline. The declines in Idaho and Ohio were the result of tax cuts.

### *Corporate Income Tax*

Nominal tax revenue decreased 13.7 percent in the January-March quarter, the first aggregate decline since the same period in 2002. However, as

**Table 3**  
**Quarterly Tax Revenue by Major Tax, by State**  
**January-March, 2005 to 2006, Percent Change**

	PIT	CIT	Sales	Total
<b>United States</b>	<b>10.7</b>	<b>(13.7) %</b>	<b>6.5 %</b>	<b>6.8 %</b>
<b>New England</b>	<b>10.0</b>	<b>22.2 ¶</b>	<b>5.0</b>	<b>7.3</b>
Connecticut	13.7	34.1 ¶	4.7	9.5 ¶
Maine	(10.8)	49.5 ¶	10.0	(3.5) ¶
Massachusetts	9.9	17.7	4.2	7.6
New Hampshire	NA	(16.7)	NA	4.7 ¶
Rhode Island	4.9	62.8 ¶	3.8	8.1
Vermont	17.9	23.5	7.9	6.0
<b>Mid-Atlantic</b>	<b>9.2</b>	<b>22.9</b>	<b>4.2 *</b>	<b>7.7</b>
Delaware	25.3	0.3	NA	17.3 ¶
Maryland	10.4	20.8 ¶	8.1	10.7
New Jersey	11.4	35.4	5.1	10.4
New York	8.3	22.0 *	0.9 *	6.2 *
Pennsylvania	8.1	18.9	6.3	7.0
<b>Great Lakes</b>	<b>3.7 *</b>	<b>1.3</b>	<b>3.9 *</b>	<b>5.0</b>
Illinois	6.0	4.7	8.7	5.4
Indiana	3.5	NM	6.4	8.6
Michigan	5.8	3.0	5.2	4.4
Ohio	(1.8) *	(7.9) ¶	(3.2) *	2.1 *
Wisconsin	5.8	(1.6)	3.8	6.8
<b>Plains</b>	<b>7.2</b>	<b>23.3 ¶</b>	<b>4.3</b>	<b>6.7</b>
Iowa	0.2 *	16.1	4.1 *	0.6
Kansas	19.5	113.5	6.3	17.8
Minnesota	6.8	17.1 ¶	2.2	6.0
Missouri	8.2	32.0	5.1	5.5
Nebraska	6.2	9.4	3.7	7.3
North Dakota	10.1	49.0	8.7	13.7
South Dakota	NA	NA	9.0	8.4
<b>Southeast</b>	<b>9.3 *</b>	<b>31.6 ¶</b>	<b>8.8</b>	<b>10.5</b>
Alabama	10.5	33.2	7.5	10.3
Arkansas	8.2 *	18.5 *	8.0	8.1 *
Florida	NA	49.4	8.4	8.0
Georgia	12.2	48.2 ¶	9.2	20.5
Kentucky	(10.4) *	186.6 ¶	3.5	2.8 ¶
Louisiana	20.7	NM	18.7	22.3
Mississippi	(1.2)	25.1	22.0	13.6
North Carolina	11.5	(6.2)	12.1	14.0
South Carolina	12.1	35.7	8.1	6.4
Tennessee	NA	(15.1) *	6.9 ¶	4.0 ¶
Virginia	9.6 *	30.7 ¶	1.5 *	7.3
West Virginia	6.8	17.3	4.8	8.7
<b>Southwest</b>	<b>10.3 *</b>	<b>69.7</b>	<b>13.3</b>	<b>9.3</b>
Arizona	14.3	20.1	17.7	15.4
New Mexico <sup>1</sup>	27.8	108.8	12.9	24.7
Oklahoma	4.0 *	182.7	11.7	18.7 *
Texas	NA	NA	12.5	6.0
<b>Rocky Mountain</b>	<b>9.5</b>	<b>55.0</b>	<b>5.6 *</b>	<b>8.6</b>
Colorado	9.7	112.9	6.5	10.8 ¶
Idaho	7.8	30.3	(7.7) *	1.5 *
Montana	9.2	(14.1)	NA	6.6
Utah	10.4	57.1	10.8	11.5
Wyoming	NA	NA	16.4	6.6
<b>Far West</b>	<b>21.2</b>	<b>(57.6)</b>	<b>3.9</b>	<b>1.7</b>
Alaska	NA	140.2	NA	13.5
California	22.6	(58.7)	9.1	(0.9)
Hawaii	5.0	(90.3) ¶	10.1 *	4.9
Nevada	NA	NA	10.0	7.0
Oregon	14.3	41.6 ¶	NA	15.4 ¶
Washington	NA	NA	(21.1)	11.3 ¶

See page 9 for notes.

noted previously, this decrease is completely attributable to the year-over-year decline in California, whose amnesty program artificially boosted receipts in the first quarter of 2005. Adjusting for this phenomenon, growth was 12.5 percent from this source versus one year ago. That number is similar to the gains seen in the last two quarters, thus continuing the strong growth in the corporate income tax that the states have enjoyed since October 2002. The corporate income tax is a volatile tax source, normally growing and declining rapidly. However, this tax source has continued to move in one consistent direction — up — and very rapidly.

### Underlying Reasons for Trends

State 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

National economic growth resumed in the first quarter of 2006, suggesting the slower growth in the prior quarter was an aberration. Preliminary estimates of the Bureau of Economic Analysis (BEA) for the real Gross Domestic Product (GDP) indicated the economy grew at an annual rate of 5.3 percent in the first quarter, well above the growth of 1.7 percent registered in the fourth quarter of 2005. Strong growth was seen in personal consumption expenditures, an element that helps explain the strong state sales tax collections. Federal government spending, both defense and nondefense, was also strong, and may have been boosted by outlays related to hurricane recovery efforts. The national unemployment rate was 4.7 percent for the first quarter, down slightly from the 5.0 percent in the previous quarter.

The general lack of timely state-level indicators presents a challenge to an assessment of state economies. Data on nonfarm employment, tracked by the Bureau of Labor Statistics (BLS), are the only broad-based,

<b>Table 4</b>			
<b>Quarterly State Tax Revenue Adjusted for Legislated Tax Changes Year-Over-Year Percent Change</b>			
	<b>PIT</b>	<b>Sales</b>	<b>Total</b>
<b>2006</b>			
Jan.-Mar.	11.1 %	7.4 %	6.9 %
<b>2005</b>			
Oct.-Dec.	6.0	6.4	7.7
July-Sept.	9.2	8.6	9.7
April-June	17.7	7.8	12.9
Jan.-Mar.	11.2	6.0	9.5
<b>2004</b>			
Oct.-Dec.	8.3	5.7	7.3
July-Sept.	7.3	5.6	8.1
April-June	12.6	6.4	9.0
Jan.-Mar.	7.7	6.8	7.0
<b>2003</b>			
Oct.-Dec.	5.3	4.2	4.9
July-Sept.	3.9	1.9	2.6
April-June	(2.0)	1.3	0.4
Jan.-Mar.	(4.4)	1.0	(1.0)
<b>2002</b>			
Oct.-Dec.	(1.6)	0.7	0.3
July-Sept.	(2.1)	2.7	0.7
April-June	(22.5)	0.1	(11.9)
Jan.-Mar.	(14.5)	(2.4)	(8.4)
<b>2001</b>			
Oct.-Dec.	(2.1)	1.2	(2.3)
July-Sept.	(2.8)	0.4	(2.4)
April-June	7.9	0.6	4.2
Jan.-Mar.	10.1	3.7	6.3
<b>2000</b>			
Oct.-Dec.	6.5	5.0	5.0
July-Sept.	11.6	5.6	7.7
April-June	18.6	7.8	11.8
Jan.-Mar.	13.8	8.8	10.4
<b>1999</b>			
Oct.-Dec.	11.0	7.5	8.4
July-Sept.	8.3	6.9	6.7
April-June	12.4	7.3	8.0
Jan.-Mar.	9.9	6.2	6.5

*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.)

timely, high-quality state-level economic indicators available. Yet, these data are far from ideal indicators of revenue growth. Most taxes are based on 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.

On a national basis, nonfarm employment continued to exhibit solid growth. By this measure, employment in the January-March 2006 quarter grew 1.5 percent compared to the year before. But the disparity in employment growth among the regions is quite pronounced. Table 8 shows

<b>Table 5</b>	
<b>Quarterly Total Tax Revenue, by State Adjusted for Legislation and Inflation January-March, 2005 to 2006, Percent Change</b>	
<b>United States</b>	<b>0.3 %</b>
<b>New England</b>	<b>0.0</b>
Connecticut	1.8
Maine	(12.8)
Massachusetts	0.9
New Hampshire	(5.3)
Rhode Island	1.3
Vermont	(0.6)
<b>Mid-Atlantic</b>	<b>1.4</b>
Delaware	10.0
Maryland	3.2
New Jersey	3.1
New York	0.8
Pennsylvania	0.4
<b>Great Lakes</b>	<b>(0.8)</b>
Illinois	(1.1)
Indiana	1.9
Michigan	(2.1)
Ohio	(1.9)
Wisconsin	0.3
<b>Plains</b>	<b>(0.5)</b>
Iowa	(4.3)
Kansas	10.8
Minnesota	(2.4)
Missouri	(1.1)
Nebraska	1.1
North Dakota	6.0
South Dakota	1.7
<b>Southeast</b>	<b>3.6</b>
Alabama	3.5
Arkansas	2.8
Florida	2.0
Georgia	12.7
Kentucky	(6.1)
Louisiana	14.7
Mississippi	6.5
North Carolina	5.9
South Carolina	(0.1)
Tennessee	(2.7)
Virginia	0.9
West Virginia	1.9
<b>Southwest</b>	<b>2.8</b>
Arizona	8.4
New Mexico <sup>1</sup>	17.9
Oklahoma	13.7
Texas	(0.6)
<b>Rocky Mountain</b>	<b>2.0</b>
Colorado	0.9
Idaho	1.8
Montana	0.0
Utah	4.7
Wyoming	0.0
<b>Far West</b>	<b>(4.9)</b>
Alaska	6.5
California	(7.0)
Hawaii	(1.2)
Nevada	0.4
Oregon	8.3
Washington	1.9

Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index. See page 9 for notes.

<b>Table 6</b>				
<b>Personal Income Tax Withholding, by State</b>				
<b>Last Four Quarters, Percent Change</b>				
	2005			2006
	Apr.-June	July-Sept	Oct.-Dec.	Jan.-Mar.
<b>United States</b>	<b>5.9 %</b>	<b>6.9 %</b>	<b>5.4 %</b>	<b>8.5 %</b>
<b>New England</b>	<b>4.4</b>	<b>5.4</b>	<b>4.1</b>	<b>8.6</b>
Connecticut	7.4	7.9	1.5	15.3
Maine	0.7	5.5	3.5	2.5
Massachusetts	3.5	5.1	5.6	6.4
Rhode Island	4.8 *	(1.5)	3.2	4.1
Vermont	5.1	3.4	2.8	12.4
<b>Mid-Atlantic</b>	<b>10.8</b>	<b>7.0</b>	<b>5.9</b>	<b>7.8</b>
Delaware	3.4	8.5	5.0	23.4
Maryland	37.3	7.8	6.4	8.9
New Jersey	11.0	11.1	3.3	13.5
New York	4.7	6.1	6.3	6.4
Pennsylvania	4.6 *	4.9	5.8	4.2
<b>Great Lakes</b>	<b>4.0</b>	<b>4.4</b>	<b>5.1</b>	<b>4.0</b>
Illinois	5.1 *	6.8	3.7	6.5
Indiana	6.0	5.0	6.9	5.1
Michigan	2.5 ¶	0.5	(0.7)	2.7
Ohio	2.8	5.0	5.3 *	2.1
Wisconsin	4.5	4.7	12.8	3.7
<b>Plains</b>	<b>4.6</b>	<b>5.2</b>	<b>5.1</b>	<b>5.8</b>
Iowa	ND	(0.9)	(1.4)	(1.8) *
Kansas	6.6	9.3	8.6	10.3
Minnesota	2.2	8.0	4.9	5.1 ¶
Missouri	6.5	7.0	6.9	8.1
Nebraska	6.7	(5.0)	7.1	10.2
North Dakota	4.6	6.0	12.7	2.1
<b>Southeast</b>	<b>2.8</b>	<b>7.4</b>	<b>5.3</b>	<b>8.9</b>
Alabama	5.8	7.8	6.2	6.9
Arkansas	5.8	8.1	7.8	8.3 *
Georgia	(10.2)	7.0	5.7	9.6
Kentucky	8.9	6.0	3.3 *	2.7
Louisiana	7.2	4.1	(1.9)	30.6
Mississippi	7.0	3.6	8.6	9.0
North Carolina	7.1	8.2	6.7	9.7
South Carolina	7.1	9.9	3.7	6.7
Virginia	4.4	7.3	4.9	7.1
West Virginia	9.2	8.1	7.2	9.6
<b>Southwest</b>	<b>11.0</b>	<b>13.8</b>	<b>12.0</b>	<b>12.1</b>
Arizona <sup>2</sup>	16.0	20.1	16.6	14.1
New Mexico	4.9 ¶	9.0	5.0	5.0
Oklahoma	8.1	9.2	9.6	ND
<b>Rocky Mountain</b>	<b>7.1</b>	<b>4.9</b>	<b>8.4</b>	<b>8.8</b>
Colorado	5.3	3.7	6.0	7.7
Idaho	11.6	6.2	8.0	10.6
Montana	3.6	(1.7)	13.0	12.2
Utah	9.1	8.5	12.2	ND
<b>Far West</b>	<b>5.0</b>	<b>9.3</b>	<b>4.0</b>	<b>14.2</b>
California	5.0	9.5	3.6	15.7
Hawaii	3.3	6.8	6.7	(9.8)
Oregon	5.4	8.3	6.4	10.5

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 9 for notes.

year-over-year employment growth for the nation and for each state for the first quarter of 2006 and the last three quarters of 2005 using BLS data. Figure 3 maps the change in first quarter 2006 employment compared to the same period in 2005.

Job growth continues to be concentrated in the western states. The Southwest led with a robust 3.4 percent employment growth. Rocky Mountain states grew 3.2 percent, and the Far West was up 2.6 percent. All 15 states in these three regions grew faster than the nation, and accounted for 50 percent of the job growth in the first quarter compared to the same period one year ago, while having about 30 percent of the total jobs. Nevada continues to lead the country with robust 6.3 percent growth, the fourth consecutive quarter in which year-over-year increases in employment was 6.0 percent or more. Eight other states — Arizona, Florida, Hawaii, Idaho, Oregon, Utah, Washington, and Wyoming — recorded growth of over 3.3 percent. This pattern, of course, was seen even before the recent recession, and is consistent with the overall pattern of population growth.

In contrast, job growth remains sluggish in the New England, Mid-Atlantic, and Great Lakes regions. Only the Mid-Atlantic region exceeded a 1.0 percent growth rate and just Delaware and Maryland registered employment growth at or above the national average. The weakest growth — 0.8 percent — was in the Great Lakes region, with New England only marginally stronger at 0.9 percent. We see the effects of the hurricanes with the employment declines in Louisiana (8.6 percent) and minimal growth in Mississippi. Michigan continues to lose employment slowly but steadily and is the only other state to have lost jobs.

### Nature of the Tax System

Even if economic growth affected all regions and states to exactly the same degree and at exactly the same time, the

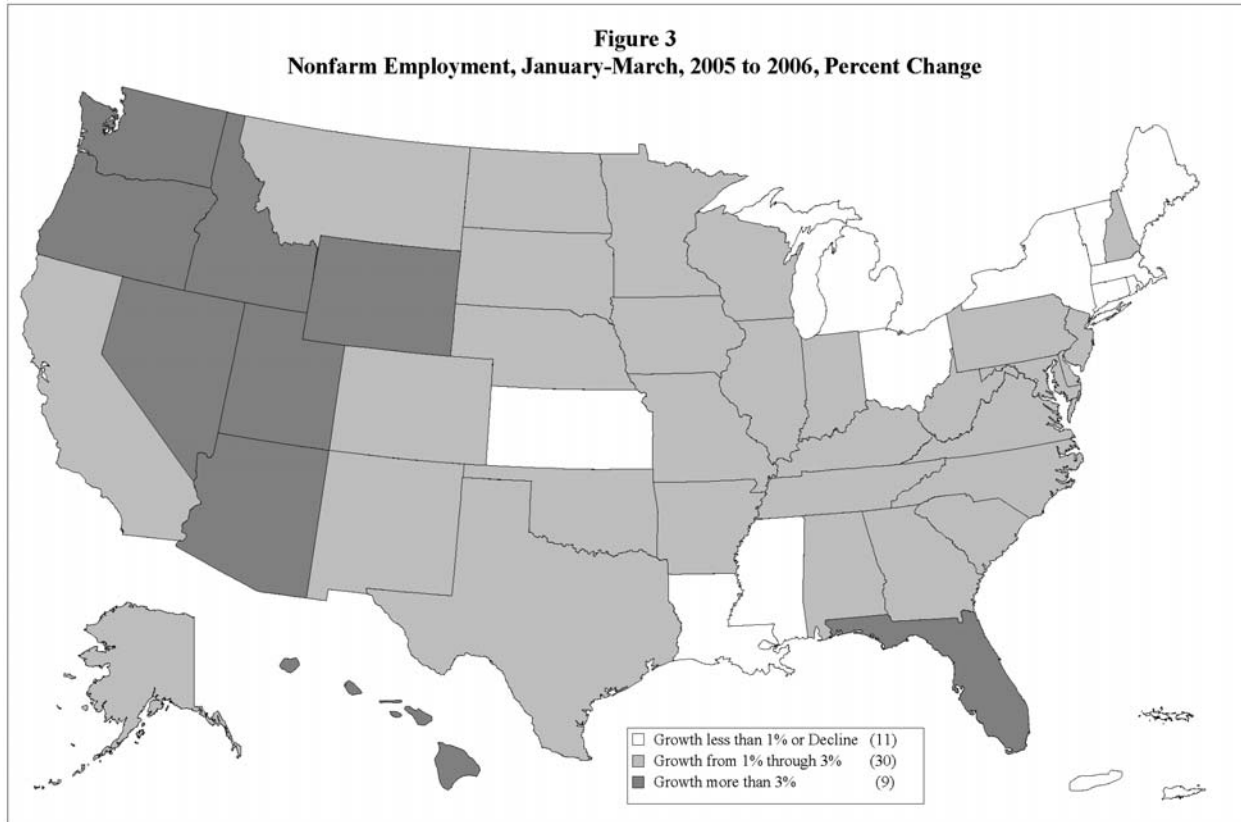
	Dec. 2005 and		
	Apr. 2005-Jan. 2006 (All Four Payments for 2005)	Jan. 2006 (Fourth Payment of 2005)	April 2006 (First Payment of 2006)
<b>Average (Mean)</b>	<b>15.5 %</b>	<b>15.9 %</b>	<b>11.5 %</b>
<b>Median</b>	<b>16.2</b>	<b>18.3</b>	<b>11.4</b>
Alabama	27.6	30.3	21.1
Arizona	51.9	66.5	ND
Arkansas	15.2	13.1	ND
California	28.6	31.4	23.8
Colorado	23.2	18.8	41.7
Connecticut	22.6	22.8	16.8
Delaware	32.8	43.2	4.7
Georgia	33.0	50.7	7.7
Hawaii	27.4	14.3	ND
Illinois	14.4	13.2	10.0
Indiana	19.5	20.2	31.2
Iowa	8.1	12.2	(26.2)
Kansas	16.2	23.8	17.1
Kentucky	(5.6)	(18.3)	(14.2)
Louisiana	(4.9)	(15.9)	ND
Maine	9.2	2.4	11.3
Maryland	16.7	17.6	ND
Massachusetts	15.7	19.1	26.5
Michigan	14.0	21.4	11.4
Minnesota	5.1	16.0	ND
Mississippi	(27.6)	(27.8)	(14.3)
Missouri	14.2	18.9	ND
Montana	5.2	8.2	69.3
Nebraska	(4.0)	12.5	8.1
New Jersey	27.8	18.4	ND
New Mexico	(22.0)	(2.5)	ND
New York	30.0	18.3	13.3
North Carolina	22.5	25.0	19.8
North Dakota	22.9	26.3	47.4
Ohio	9.9	1.4	(4.7)
Oklahoma	42.5	(8.6)	ND
Oregon	18.3	24.4	ND
Pennsylvania	23.1	26.7	5.1
Rhode Island	1.5	(4.5)	3.0
South Carolina	19.4	19.5	(41.1)
Vermont	19.4	16.8	13.9
Virginia	12.9	12.9	27.1
West Virginia	14.9	20.6	(18.7)
Wisconsin	3.5	9.5	ND

impact on state revenue would still vary because the tax systems used by the states react differently to similar economic situations. States that rely heavily on the personal income tax will tend to see stronger growth in good times, since they benefit from growth in income earned by the highest income individuals. This is most evident in states with more progressive income tax structures, since higher incomes are taxed at the highest rates. 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

	2005			2006
	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.
<b>United States</b>	<b>1.5</b>	<b>1.6</b>	<b>1.4</b>	<b>1.5</b>
<b>Sum of States</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>
<b>New England</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>
Connecticut	0.9	0.7	0.7	0.8
Maine	0.1	(0.1)	(0.0)	0.1
Massachusetts	0.5	0.4	0.5	1.0
New Hampshire	1.3	1.1	0.7	1.4
Rhode Island	0.7	0.7	0.6	0.9
Vermont	0.9	0.5	0.7	0.6
<b>Mid-Atlantic</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>1.2</b>
Delaware	1.9	1.5	1.4	1.8
Maryland	1.6	1.4	1.4	1.6
New Jersey	1.2	1.1	1.1	1.3
New York	1.0	0.7	0.6	1.0
Pennsylvania	1.1	1.1	1.0	1.2
<b>Great Lakes</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>
Illinois	0.7	1.0	1.0	1.1
Indiana	0.8	0.7	1.0	1.2
Michigan	(0.1)	(0.4)	(0.4)	(0.3)
Ohio	0.4	0.3	0.5	0.7
Wisconsin	1.4	0.8	1.1	1.4
<b>Plains</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.6</b>
Iowa	1.6	1.6	1.8	1.9
Kansas	1.1	0.1	0.2	0.7
Minnesota	1.1	0.8	1.0	1.8
Missouri	1.3	1.7	1.0	1.4
Nebraska	1.4	1.2	1.7	2.1
North Dakota	2.3	1.8	2.0	2.5
South Dakota	1.4	1.7	1.8	2.5
<b>Southeast</b>	<b>2.4</b>	<b>2.2</b>	<b>1.6</b>	<b>1.7</b>
Alabama	2.3	2.2	2.2	2.5
Arkansas	1.8	1.9	1.7	1.4
Florida	3.9	4.3	4.0	3.8
Georgia	2.7	2.8	2.4	2.4
Kentucky	1.6	1.7	1.5	1.6
Louisiana	1.4	(2.0)	(9.9)	(8.6)
Mississippi	0.8	0.1	(0.2)	0.2
North Carolina	2.0	1.6	1.8	1.7
South Carolina	1.4	1.1	1.4	2.2
Tennessee	1.7	1.4	1.3	1.4
Virginia	2.3	2.4	2.2	2.2
West Virginia	1.3	1.3	1.4	1.4
<b>Southwest</b>	<b>2.9</b>	<b>3.2</b>	<b>3.2</b>	<b>3.4</b>
Arizona	5.4	5.7	5.3	5.6
New Mexico	2.3	2.6	2.6	2.8
Oklahoma	2.7	2.6	2.5	2.9
Texas	2.4	2.6	2.9	2.9
<b>Rocky Mountain</b>	<b>2.6</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>
Colorado	1.9	2.2	2.2	2.3
Idaho	3.5	4.2	4.9	5.0
Montana	1.7	2.3	2.3	2.2
Utah	3.6	4.4	4.6	4.4
Wyoming	2.8	3.4	3.2	3.6
<b>Far West</b>	<b>2.2</b>	<b>2.4</b>	<b>2.4</b>	<b>2.6</b>
Alaska	2.1	1.9	1.6	1.7
California	1.7	1.9	1.8	2.0
Hawaii	3.4	3.2	3.0	3.5
Nevada	6.4	6.1	6.0	6.3
Oregon	2.9	2.9	3.2	3.9
Washington	2.7	2.9	3.2	3.4

Source: Bureau of Labor Statistics.





times and increasing more slowly in good times. States that rely heavily on corporate income or severance taxes often see wild swings in revenue that are not necessarily related to general economic conditions. (Severance taxes are levied 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 is far more subject to dramatic fluctuations than it would be if it were based entirely on wages and salaries. Over the last couple of years, we have seen growth in the stock market and strong growth in corporate profits and other business-related income. This helps explain why personal and corporate income taxes are growing faster than the general economy. In the recent recession, we saw the downside of this volatility. As the stock market and other investments declined, it pushed personal and corporate income tax collections down much faster than the economy and created large holes in almost every state's budget. The recent stock market slide may similarly affect collections in the next few quarters.

States also have learned more about how sales tax revenue responds to an economic slowdown. There has been some fear that as states have removed more stable elements of consumption such as groceries and clothing from their bases, their sales taxes were more subject to plunges as

### 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 1999. Data through 1991 are available at <http://rfs.rockinst.org/data/revenue>.

	PIT	CIT	Sales	Total
<b>United States</b>	<b>8.2 %</b>	<b>9.4 %</b>	<b>6.4 %</b>	<b>7.8 %</b>
<b>New England</b>	<b>6.7</b>	<b>26.9</b>	<b>4.1</b>	<b>7.2</b>
Connecticut	10.1	20.2	3.9	8.5
Maine	(5.9)	49.6	5.4	3.0
Massachusetts	6.9	28.4	4.1	8.0
New Hampshire	NA	15.0	NA	10.5
Rhode Island	0.6	45.4	3.0	3.5
Vermont	8.2	23.7	5.5	0.1
<b>Mid-Atlantic</b>	<b>7.1</b>	<b>21.2</b>	<b>0.5</b>	<b>6.5</b>
Delaware	14.2	47.6	NA	12.2
Maryland	9.4	(9.5)	7.1	7.5
New Jersey	11.8	31.0	3.5	10.9
New York	5.3	27.8	(4.9)	4.7
Pennsylvania	7.6	15.1	3.9	6.4
<b>Great Lakes</b>	<b>4.8</b>	<b>6.5</b>	<b>2.1</b>	<b>4.6</b>
Illinois	6.0	16.4	7.0	5.7
Indiana	1.1	13.9	5.5	5.0
Michigan	3.1	1.3	2.0	3.4
Ohio	4.1	5.3	(5.0)	3.9
Wisconsin	8.6	(1.6)	4.3	5.3
<b>Plains</b>	<b>7.0</b>	<b>31.1</b>	<b>4.5</b>	<b>7.5</b>
Iowa	0.2	14.6	4.3	2.3
Kansas	12.7	68.7	5.9	12.1
Minnesota	7.3	19.1	3.6	8.3
Missouri	8.3	56.7	4.7	5.5
Nebraska	7.1	35.8	3.1	9.7
North Dakota	9.8	56.3	5.5	15.6
South Dakota	NA	NA	7.8	7.3
<b>Southeast</b>	<b>8.1</b>	<b>37.3</b>	<b>9.5</b>	<b>10.0</b>
Alabama	9.5	27.6	9.3	9.8
Arkansas	8.2	30.9	8.0	9.0
Florida	NA	48.5	11.0	11.0
Georgia	8.9	44.4	9.9	11.9
Kentucky	(1.6)	105.3	4.7	8.9
Louisiana	5.4	72.1	16.1	11.1
Mississippi	4.8	8.5	17.1	9.6
North Carolina	11.0	10.4	9.1	11.2
South Carolina	6.7	20.6	7.1	5.8
Tennessee	NA	10.9	7.5	7.2
Virginia	9.3	74.9	3.5	9.7
West Virginia	9.4	18.0	6.5	8.6
<b>Southwest</b>	<b>13.1</b>	<b>38.4</b>	<b>11.6</b>	<b>11.7</b>
Arizona	19.9	17.2	17.3	17.3
New Mexico <sup>1</sup>	6.2	64.3	9.0	15.5
Oklahoma	7.8	91.6	8.5	12.9
Texas	NA	NA	10.9	9.9
<b>Rocky Mountain</b>	<b>9.7</b>	<b>54.1</b>	<b>5.1</b>	<b>9.2</b>
Colorado	8.2	49.5	5.4	8.4
Idaho	9.9	42.6	(5.0)	3.2
Montana	10.1	58.9	NA	10.9
Utah	12.3	67.4	9.6	12.6
Wyoming	NA	NA	17.3	18.0
<b>Far West</b>	<b>12.4</b>	<b>(20.7)</b>	<b>7.7</b>	<b>7.1</b>
Alaska	NA	83.3	NA	42.0
California	12.6	(23.3)	9.0	5.4
Hawaii	8.5	92.5	11.7	10.6
Nevada	NA	NA	10.9	9.9
Oregon	12.0	66.4	NA	14.6
Washington	NA	NA	0.2	9.0

See page 9 for notes.

consumers became nervous about spending on optional and big-ticket items. Most state sales taxes also do not capture spending on services well. In the latest economic downturn, however, the sales tax generally maintained slow growth. It is now growing more rapidly as general economic conditions improve, though less rapidly than the personal income or corporate income taxes.

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 through their severance taxes, and through increases in collections in other state taxes resulting from the generally stronger state economies. Conversely, when the price falls, these states' revenue tends to follow suit. This dynamic often operates largely independently of the general economy. Now that we are seeing a relatively high price of oil, it is likely that this will constitute a drag on most states' economies and, as pointed out in a recent Rockefeller Institute report,<sup>2</sup> a significant increase in state expenses with potentially some positive impact in states that impose general sales taxes on gasoline.

### **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 from nominal collections data. That is why this report attempts to note where such changes have significantly affected each state's revenue growth. We also occasionally note when tax-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 2006 quarter, enacted tax changes and processing variations decreased state revenue by an estimated net of only about \$66 million compared to the same period in 2005. This is the third straight quarter of net enacted tax cuts.

Sales tax collections were the largest area of reductions, with a value of \$418 million. Rate cuts caused Ohio's sales tax collections to decline by almost \$200 million and New York's by \$150 million. Enacted tax changes decreased personal income tax collections by a net of over \$172 million, the largest cut being a rate-reduction in Ohio. Many states increased miscellaneous tax sources, led by Ohio, which raised cigarette and gas taxes.

## Conclusions

Revenue growth resumed in the first quarter of 2006, rebounding from a slight slowdown in the fourth quarter of 2005. Collections from the personal income tax and the sales tax increased from the previous quarter's growth rates, and the corporate income tax was on a par with the previous quarters once the impact of California's 2005 corporate tax amnesty windfall is taken into account.

State tax collections were buoyed by an economy that picked up steam after its fourth-quarter

pause — the gross domestic product grew nearly three times faster than the previous quarter. Strong economic growth continues to characterize the three western regions, where employment growth substantially exceeded the 1.5 percent national rate.

This resumption of tax collection strength came as the nation's governors were advancing their budget recommendations for 2006-07. As the states work to put budgets in place for the next fiscal year, there is little apparent concern about any prolonged slowdown in tax revenue growth. On the contrary, most states are reporting surpluses in their current fiscal years, and most proposals call for spending increases and tax cuts.

## Endnotes

- 1 Four states have different fiscal years: Alabama and Michigan (October 1 to September 30), New York (April 1 to March 30), and Texas (September 1 to August 30).
- 2 *State Fiscal News #5.3: Rising Energy Prices May Not Be a Windfall for All Government Budgets*, May 2006, <http://rfs.rockinst.org/exhibit/9055/Full%20Text/StateFiscalNewsV5N3En#D8C48.pdf>.

**Table 10**  
**State Tax Revenue, January-March, 2005 and 2006 (\$ in millions)**

	2005				2006			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
<b>United States</b>	<b>51,786</b>	<b>11,413</b>	<b>50,025</b>	<b>137,216</b>	<b>57,338</b>	<b>9,849</b>	<b>53,300</b>	<b>146,575</b>
<b>New England</b>	<b>3,996</b>	<b>749</b>	<b>2,236</b>	<b>8,938</b>	<b>4,395</b>	<b>915</b>	<b>2,349</b>	<b>9,570</b>
Connecticut	1,444	158	815	2,986	1,642	212	854	3,270
Maine	232	21	206	635	207	32	227	613
Massachusetts	2,040	448	935	4,091	2,243	527	974	4,402
New Hampshire	0	60	0	356	0	50	0	351
Rhode Island	198	45	199	566	207	74	206	612
Vermont	82	17	81	304	97	21	88	323
<b>Mid-Atlantic</b>	<b>14,793</b>	<b>1,715</b>	<b>6,833</b>	<b>29,195</b>	<b>16,153</b>	<b>2,108</b>	<b>7,119</b>	<b>31,449</b>
Delaware	208	39	0	541	261	39	0	635
Maryland	1,388	174	776	2,456	1,532	211	839	2,717
New Jersey	2,259	271	1,565	5,235	2,517	367	1,645	5,777
New York	8,722	857	2,564	13,801	9,449	1,046	2,586	14,658
Pennsylvania	2,217	374	1,929	7,162	2,395	444	2,049	7,661
<b>Great Lakes</b>	<b>7,371</b>	<b>1,702</b>	<b>7,505</b>	<b>18,855</b>	<b>7,641</b>	<b>1,724</b>	<b>7,801</b>	<b>19,797</b>
Illinois	2,367	380	1,597	5,207	2,510	398	1,736	5,490
Indiana	938	-14	1,251	2,545	971	37	1,331	2,765
Michigan	999	403	1,879	3,661	1,057	415	1,978	3,821
Ohio	1,865	711	1,827	4,801	1,831	655	1,769	4,900
Wisconsin	1,201	223	950	2,641	1,271	220	987	2,821
<b>Plains</b>	<b>4,526</b>	<b>488</b>	<b>3,266</b>	<b>9,502</b>	<b>4,853</b>	<b>602</b>	<b>3,405</b>	<b>10,136</b>
Iowa	748	57	448	1,340	749	66	466	1,348
Kansas	403	21	470	968	481	44	500	1,141
Minnesota	1,760	279	1,123	3,550	1,879	327	1,147	3,761
Missouri	1,241	59	677	2,476	1,342	78	711	2,613
Nebraska	300	52	310	708	319	57	322	760
North Dakota	75	20	108	278	82	29	117	316
South Dakota	0	0	130	183	0	0	142	198
<b>Southeast</b>	<b>8,272</b>	<b>1,471</b>	<b>13,473</b>	<b>28,866</b>	<b>9,043</b>	<b>1,936</b>	<b>14,656</b>	<b>31,903</b>
Alabama	728	72	505	1,915	805	95	543	2,112
Arkansas	559	64	496	1,199	605	76	536	1,296
Florida	0	350	4,694	6,277	0	522	5,087	6,777
Georgia	1,542	149	1,361	3,230	1,731	221	1,486	3,891
Kentucky	660	40	748	2,007	591	116	774	2,062
Louisiana	535	-9	598	1,479	646	58	710	1,808
Mississippi	190	123	654	1,314	188	154	798	1,493
North Carolina	1,678	288	1,026	3,827	1,870	271	1,151	4,364
South Carolina	297	51	564	1,112	333	69	609	1,183
Tennessee	0	191	1,533	2,285	0	163	1,639	2,376
Virginia	1,819	90	1,020	3,406	1,993	118	1,036	3,656
West Virginia	263	62	274	814	281	73	288	885
<b>Southwest</b>	<b>1,105</b>	<b>161</b>	<b>6,192</b>	<b>11,809</b>	<b>1,218</b>	<b>273</b>	<b>7,013</b>	<b>12,907</b>
Arizona	562	93	932	1,710	642	111	1,097	1,974
New Mexico <sup>1</sup>	49	42	235	460	62	88	265	573
Oklahoma	494	26	396	1,149	514	74	443	1,363
Texas	0	0	4,629	8,491	0	0	5,209	8,997
<b>Rocky Mountain</b>	<b>1,478</b>	<b>105</b>	<b>1,276</b>	<b>3,431</b>	<b>1,619</b>	<b>162</b>	<b>1,348</b>	<b>3,724</b>
Colorado	786	27	501	1,336	863	58	534	1,480
Idaho	206	25	270	673	222	33	249	683
Montana	149	15	0	327	163	13	0	348
Utah	337	37	415	932	372	59	460	1,039
Wyoming	0	0	91	163	0	0	105	173
<b>Far West</b>	<b>10,245</b>	<b>5,022</b>	<b>9,244</b>	<b>26,642</b>	<b>12,416</b>	<b>2,130</b>	<b>9,609</b>	<b>27,090</b>
Alaska	0	9	0	374	0	21	0	424
California	8,904	4,955	6,353	20,646	10,915	2,044	6,932	20,470
Hawaii	339	12	580	1,055	356	1	638	1,107
Nevada	0	0	692	927	0	0	760	991
Oregon	1,002	45	0	1,122	1,146	64	0	1,295
Washington	0	0	1,620	2,519	0	0	1,278	2,803

See page 9 for notes.

**State Tax Revenue Rebounds on Strength in South and West**

**Table 11  
State Tax Revenue, July-March, FY 2005 and 2006 (\$ in millions)**

	FY 2005				FY 2006			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
<b>United States</b>	<b>152,738</b>	<b>26,738</b>	<b>147,914</b>	<b>394,645</b>	<b>165,329</b>	<b>29,254</b>	<b>157,320</b>	<b>425,278</b>
<b>New England</b>	<b>11,509</b>	<b>1,552</b>	<b>6,515</b>	<b>24,559</b>	<b>12,275</b>	<b>1,969</b>	<b>6,782</b>	<b>26,314</b>
Connecticut	3,295	415	2,133	7,106	3,629	499	2,216	7,710
Maine	776	82	630	1,896	730	123	664	1,952
Massachusetts	6,450	805	2,882	11,913	6,897	1,034	3,000	12,862
New Hampshire	0	134	0	1,051	0	154	0	1,137
Rhode Island	669	77	633	1,624	673	112	652	1,681
Vermont	320	39	237	970	346	48	251	971
<b>Mid-Atlantic</b>	<b>38,466</b>	<b>5,328</b>	<b>20,652</b>	<b>77,722</b>	<b>41,204</b>	<b>6,455</b>	<b>20,763</b>	<b>82,798</b>
Delaware	612	59	0	1,443	699	87	0	1,619
Maryland	3,589	666	2,038	6,700	3,925	603	2,184	7,202
New Jersey	5,552	1,180	4,250	13,449	6,207	1,546	4,396	14,910
New York	22,804	2,212	8,411	38,182	24,016	2,827	7,997	39,974
Pennsylvania	5,910	1,210	5,953	17,948	6,357	1,392	6,186	19,094
<b>Great Lakes</b>	<b>22,524</b>	<b>3,925</b>	<b>23,066</b>	<b>57,937</b>	<b>23,603</b>	<b>4,179</b>	<b>23,555</b>	<b>60,595</b>
Illinois	6,082	937	4,947	14,437	6,446	1,091	5,294	15,254
Indiana	2,823	393	3,701	7,917	2,855	448	3,903	8,316
Michigan	4,255	1,325	5,944	14,289	4,387	1,342	6,062	14,781
Ohio	5,666	694	5,841	13,252	5,897	731	5,551	13,772
Wisconsin	3,698	577	2,633	8,042	4,017	567	2,745	8,471
<b>Plains</b>	<b>12,360</b>	<b>1,389</b>	<b>9,619</b>	<b>27,312</b>	<b>13,226</b>	<b>1,821</b>	<b>10,051</b>	<b>29,360</b>
Iowa	1,984	176	1,354	3,742	1,988	201	1,412	3,826
Kansas	1,332	112	1,415	3,144	1,501	189	1,499	3,524
Minnesota	4,638	708	3,218	9,960	4,975	844	3,334	10,790
Missouri	3,279	207	1,995	7,014	3,551	325	2,090	7,401
Nebraska	952	135	918	2,147	1,019	183	947	2,356
North Dakota	176	51	312	748	193	80	329	864
South Dakota	0	0	408	559	0	0	440	600
<b>Southeast</b>	<b>27,232</b>	<b>4,435</b>	<b>38,288</b>	<b>86,296</b>	<b>29,444</b>	<b>6,088</b>	<b>41,916</b>	<b>94,954</b>
Alabama	1,942	238	1,476	5,265	2,128	303	1,614	5,779
Arkansas	1,465	201	1,472	3,362	1,585	263	1,590	3,666
Florida	0	1,047	12,833	17,255	0	1,555	14,241	19,160
Georgia	5,198	406	3,893	10,455	5,658	586	4,278	11,704
Kentucky	2,141	255	2,237	6,083	2,106	523	2,342	6,624
Louisiana	1,577	144	1,697	4,564	1,661	249	1,970	5,072
Mississippi	742	262	1,829	3,837	778	284	2,141	4,206
North Carolina	5,690	799	3,287	12,053	6,313	882	3,586	13,397
South Carolina	1,894	139	1,475	3,993	2,021	168	1,580	4,224
Tennessee	0	433	4,496	6,643	0	480	4,832	7,119
Virginia	5,820	337	2,788	10,405	6,360	589	2,885	11,416
West Virginia	762	176	805	2,381	834	207	857	2,587
<b>Southwest</b>	<b>4,206</b>	<b>694</b>	<b>18,853</b>	<b>34,883</b>	<b>4,757</b>	<b>961</b>	<b>21,037</b>	<b>38,980</b>
Arizona	1,927	435	2,679	5,356	2,310	510	3,143	6,280
New Mexico <sup>1</sup>	632	165	1,024	2,321	671	272	1,116	2,682
Oklahoma	1,647	94	1,202	3,665	1,776	180	1,304	4,137
Texas	0	0	13,948	23,540	0	0	15,474	25,881
<b>Rocky Mountain</b>	<b>4,962</b>	<b>414</b>	<b>3,770</b>	<b>10,600</b>	<b>5,442</b>	<b>638</b>	<b>3,963</b>	<b>11,572</b>
Colorado	2,555	171	1,497	4,316	2,765	256	1,577	4,677
Idaho	665	82	842	1,972	731	117	800	2,035
Montana	435	48	0	872	479	76	0	967
Utah	1,306	113	1,209	3,048	1,467	190	1,324	3,432
Wyoming	0	0	223	391	0	0	261	462
<b>Far West</b>	<b>31,480</b>	<b>9,002</b>	<b>27,151</b>	<b>75,356</b>	<b>35,379</b>	<b>7,142</b>	<b>29,253</b>	<b>80,705</b>
Alaska	0	41	0	1,037	0	75	0	1,472
California	27,252	8,757	18,524	56,543	30,677	6,718	20,198	59,583
Hawaii	977	39	1,582	2,887	1,060	75	1,768	3,193
Nevada	0	0	2,115	2,755	0	0	2,346	3,028
Oregon	3,251	165	0	3,667	3,641	275	0	4,202
Washington	0	0	4,930	8,468	0	0	4,942	9,227

See page 9 for notes.

### 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 many states is motor fuel taxes. Taxes on health-care providers to fund Medicaid programs are excluded as well.

*California:* Nongeneral 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 corporate 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 noneconomic 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.

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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.

This report was written by Brian T. Stenson, Deputy Director of the Institute. Nai-Ling Kuo collected the data and prepared tables and figures, with assistance from Lucy Dadayan. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report, with assistance from Michele Charbonneau. Barbara Stubblebine edited the report.

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