

## HIGHLIGHTS

- State tax revenue totaled \$183.7 billion in the April-June 2006 quarter, up 9.9 percent from the same period in 2005.
- After adjusting for inflation and legislated tax changes, growth was 4.1 percent, the fastest real adjusted growth since the second quarter of 2005.
- Nominal revenue growth among the regions generally followed a familiar pattern: strongest in the Rocky Mountain states (21.9 percent) and Southwest (16.1 percent), and weakest in the Great Lakes (4.3 percent).
- National employment growth was 1.4 percent this quarter versus one year ago, with the strongest growth continuing to be in the western regions and the weakest in the Great Lakes and New England states.
- State tax revenue growth was reduced by \$34 million in net enacted tax cuts.

## State Tax Revenue Shows Broad Strength

*Brian T. Stenson with Nai-Ling Kuo*

### Tax Revenue Change

State tax revenue increased 9.9 percent in the April-June quarter of 2006 compared to the same quarter the year before. Although this is the strongest nominal growth in the past year, it is below the growth rates recorded in the same quarter of 2005 and 2004. State tax collections are continuing their robust growth, helping to buoy state treasuries. Tax revenue changes for the last 30 quarters are shown in Table 1.

This second quarter growth solidified the financial condition of the states for the fiscal year that just ended and positioned them well for the current period. For the 12-month period July 2005 through June 2006, which coincides with the fiscal year for 46 states,<sup>1</sup> tax collections grew 8.5 percent compared to 2004-05, enabling many to entertain tax cuts, make deposits to reserves, and invest in education and other program areas. Adjusting for the California tax amnesty, the growth rate was 9.0 percent. July-to-June totals are shown in Table 11.

Inflation remained relatively high, with the state and local government consumption expenditure index growing 5.6 percent this quarter. However, tax legislation and other processing changes had only a minor net impact on state tax collections in the April-June quarter, with a relatively small net legislated reduction overall. When the effects of enacted tax cuts and inflation are considered, real adjusted state tax revenue increased only 4.1 percent, as shown also in Table 1. This continues the pattern whereby state tax collections are strongest in the April-June quarter — when final returns are typically paid — suggesting persistent strength in sources of income (such as capital gains) not subject to personal income tax withholding during the year. 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 15.1 percent, a sharp improvement over the past two quarters.
- ✓ Sales tax collections grew 5.7 percent.
- ✓ The corporate income tax showed a significant gain of 14.7 percent; however, after adjustments to reflect the impact of California's 2005 tax amnesty, this is the second lowest increase in two years.

Table 2 shows the last 30 quarters of change in collections of the major state tax sources.

	Total Nominal Change	Adjusted Nominal Change	Inflation Rate	Adjusted Real Change
<b>2006</b>				
April-June	9.9 %	9.9 %	5.6 %	4.1 %
Jan.-Mar.	6.8	6.8	5.8	0.9
<b>2005</b>				
Oct.-Dec.	7.6	7.7	6.3	1.3
July-Sept.	9.3	9.7	6.4	3.1
April-June	13.2	12.9	6.0	6.5
Jan.-Mar.	11.4	9.5	5.9	3.4
<b>2004</b>				
Oct.-Dec.	7.8	7.3	5.7	1.5
July-Sept.	8.6	8.1	4.6	3.3
April-June	11.2	9.0	3.9	4.9
Jan.-Mar.	8.1	7.1	2.9	4.1
<b>2003</b>				
Oct.-Dec.	7.3	4.9	3.8	1.1
July-Sept.	4.5	2.6	3.9	(1.3)
April-June	3.1	0.4	3.9	(3.4)
Jan.-Mar.	1.4	(1.0)	4.7	(5.4)
<b>2002</b>				
Oct.-Dec.	1.9	0.3	3.3	(2.9)
July-Sept.	2.5	0.7	2.7	(1.9)
April-June	(10.6)	(12.1)	2.2	(14.0)
Jan.-Mar.	(7.8)	(8.2)	1.7	(9.7)
<b>2001</b>				
Oct.-Dec.	(2.7)	(2.2)	2.0	(4.1)
July-Sept.	(3.1)	(2.4)	2.6	(4.9)
April-June	2.5	4.2	3.3	0.9
Jan.-Mar.	5.1	6.3	3.6	2.6
<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

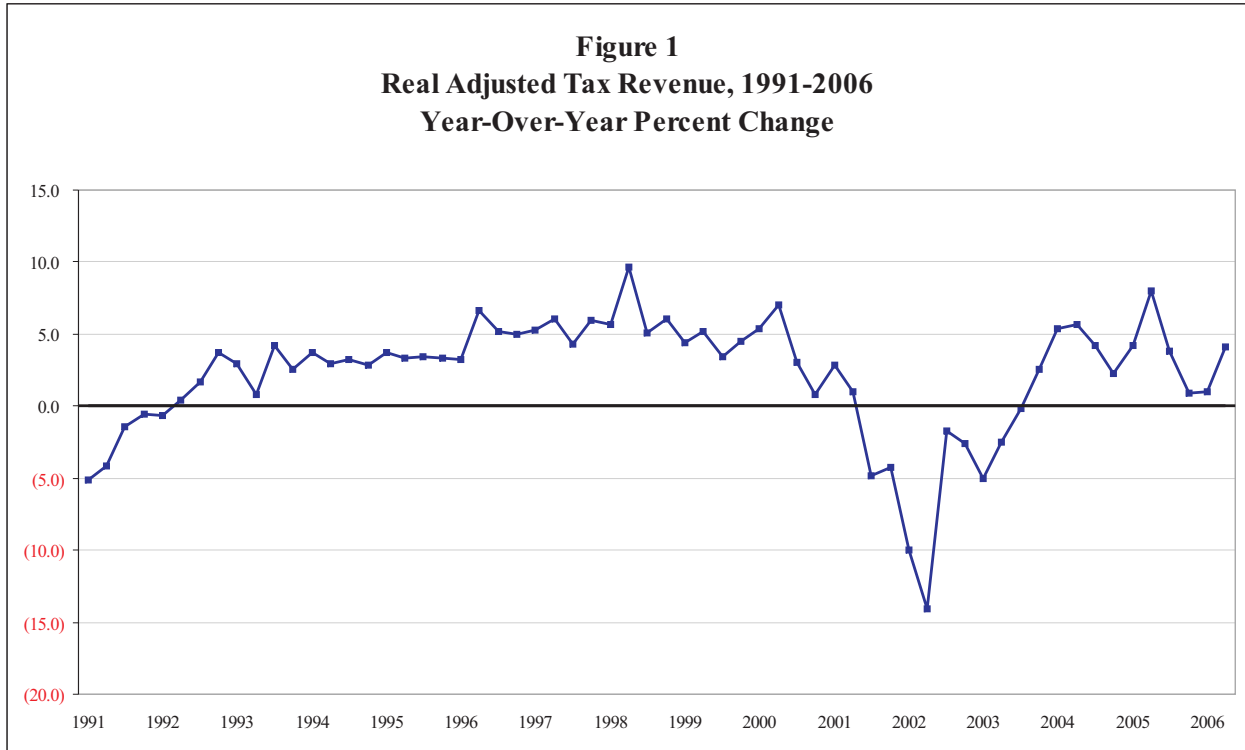
Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index.

State tax revenue growth remains broad, with six regions showing real strength. Only the Great Lakes (4.3 percent), the Southeast (5.8 percent), the Mid-Atlantic (9.2 percent), and the New England (9.7 percent) regions recorded single-digit growth. The strongest growth, at 21.9 percent, was seen in the Rocky Mountain states, followed by the Southwest at 16.1 percent. Growth of ten percent or more was recorded in 22 states, and six of these saw gains of more than 20 percent. Only three

	PIT	CIT	Sales	Total
<b>2006</b>				
April-June	15.1 %	14.7 %	5.7 %	9.9 %
Jan.-Mar.	10.6	(13.8)	6.6	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

states — Louisiana, Ohio, and West Virginia — 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 fourth consecutive quarter with a net cut, although it was quite small — with about \$34 million in net enacted tax cuts. The Mid-Atlantic, Great Lakes, and Southwest regions had the largest net tax cuts, while net increases were evident in New England, the Plains states, and the Far West. (See Figure 2.) 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.

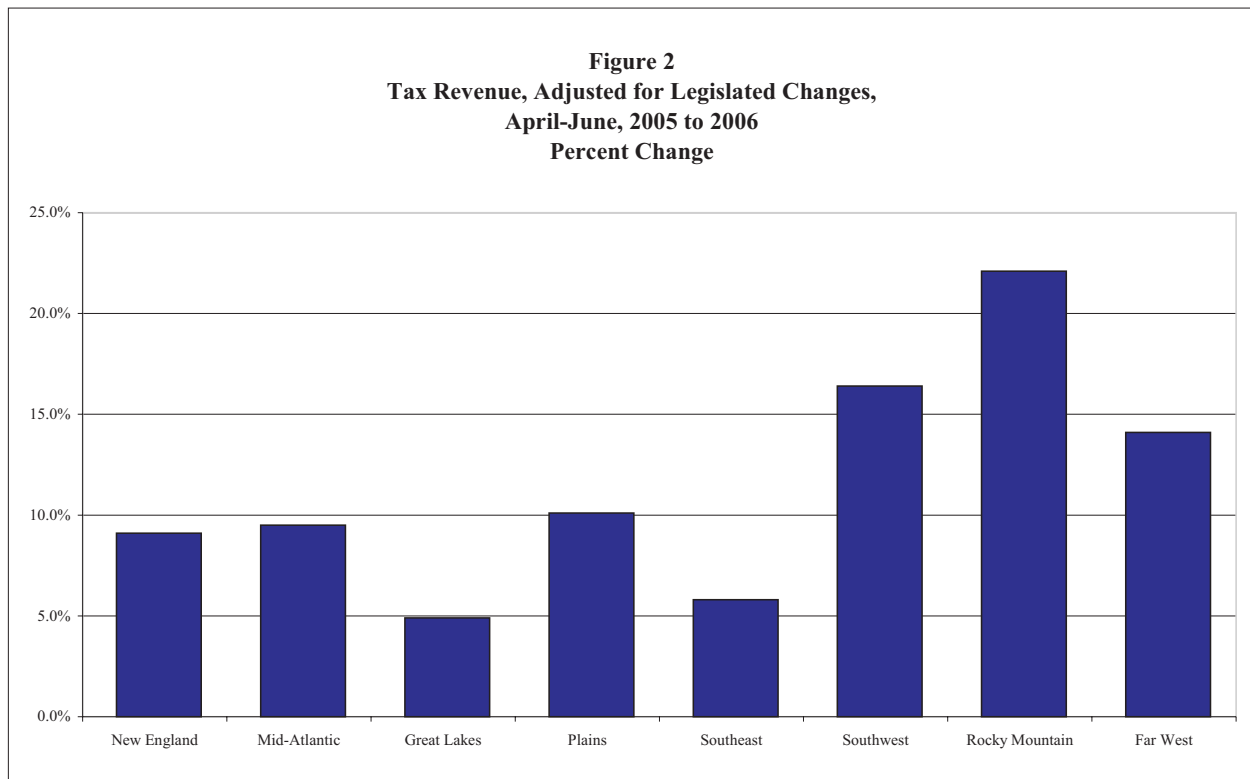
variances suggest that budget surpluses were generated during the year.

**Collections Versus Projections**

Given the robust tax collections growth compared to the same quarter in the prior year, we might expect that collections exceeded state projections for the 2005-06 period. This was the case. Twenty-five states that have a July-June fiscal year also report comparisons of year-to-date collections to projected cash flows (North Dakota reports biennium results). In some cases, these cash flow reports include periodic updates to original projections and therefore do not necessarily track to the cash assumptions that reflect adopted budget estimates of annual amounts. For these 26 states, total actual tax collections exceeded projections by 2 percent. Ten states reported total collections exceeded estimated receipts by 3 percent or more, while two showed negative variances less than 1 percent. It should be stressed that these results by themselves do not indicate that states will report budget surpluses, since for the most part, state reports do not compare actual spending to projections. However, to the extent states have been able to hold spending to budgeted levels; these positive

**Personal Income Tax**

Tax revenue grew 15.1 percent in the April-June quarter compared to the same quarter in 2005, nearly half again as fast as growth in the previous quarter. By way of comparison, federal personal income tax collections grew 16.4 percent over the same period. In our report on January-March collections we suggested that higher-income taxpayers may have delayed their fourth quarter estimated payments until January; however, final settlement payments in April were also very strong. Strongest growth was in the Far West region, where collections grew 25.8 percent, followed closely by the Rocky Mountain states, at 24.1 percent, and the Southwest with 23.6 percent growth. Collections in the Great Lakes region increased 5.5 percent — a respectable number, but disappointing compared to other regions. No other region saw growth of less than the 9.3 percent recorded in the Southeast. Growth was reported by 37 of the 41 of the states with a broad-based personal income tax and for which second quarter information is available. A remarkable 27 states had



double-digit increases and 10 of these were above 20 percent. Arizona led the states with growth of 31.8 percent. Of the four states that showed a decline in collections, Louisiana had the sharpest drop, no doubt caused primarily by the hurricanes.

We can get a clearer picture of collections from the personal income tax by breaking it down into major component parts for which we have data: withholding and quarterly 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 withholding for the April-June 2006 quarter increased 6.6 percent over the same quarter of 2005, a slight decline from the growth recorded in the previous quarter. Enacted tax law changes reduced withholding by four-tenths of a percent 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 39 states for which we have complete data, the first two quarterly payments for 2006, due by April 15 and June 15, grew 17.6 percent compared to the year before. (See Table 7.)

Increases were recorded in all but two states with 29 reporting double-digit growth; 12 states had increases of more than 20 percent. Only Kentucky and Louisiana showed year-over-year declines. 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 April-June 2006 quarter were 5.7 percent above the same quarter in 2005. This is a slight decline from the 6.6 percent growth the previous quarter and the second lowest growth rate since July-September of 2003.

## State Tax Revenue Shows Broad Strength

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

	PIT	CIT	Sales	Total
<b>United States</b>	15.1 %	14.7 %	5.7 %	9.9 %
<b>New England</b>	10.4	35.1	2.0	9.7
Connecticut	11.1	10.4 ¶	2.6	8.9 ¶
Maine	6.1 ¶	21.3 ¶	5.7	15.4 ¶
Massachusetts	10.7	38.5	0.0	8.7
New Hampshire	NA	110.8	NA	8.5 ¶
Rhode Island <sup>1</sup>	10.2	23.0 ¶	3.7	7.7
Vermont	8.9	29.2	1.4	14.1
<b>Mid-Atlantic</b>	14.4	13.6	0.3	9.2
Delaware	17.1	37.3 *	NA	9.7 *
Maryland	8.4	14.3 ¶	7.5	7.0
New Jersey <sup>1</sup>	8.4 *	11.6	4.6 *	5.8
New York	18.6	2.2 ¶	(7.0) *	11.6
Pennsylvania	11.6	27.8	4.9	8.3
<b>Great Lakes</b>	5.5	5.6	1.1	4.3
Illinois	11.9	13.4	9.0	9.4
Indiana	5.5	10.6	5.1	6.4
Michigan	4.4	1.7	1.1	3.1
Ohio	(1.5) *	(9.4) ¶	(8.5) *	(0.8) *
Wisconsin	8.5	9.3	1.7	3.4
<b>Plains</b>	13.7	26.8	5.6	10.6
Iowa	8.6 *	40.0	2.2	7.5 *
Kansas	21.1	41.4	6.0	15.2
Minnesota	11.6	0.2 ¶	7.9	10.0 ¶
Missouri	14.0	38.6	5.0	9.7
Nebraska	17.4	24.6	1.3 *	11.9
North Dakota	18.8 *	61.0	3.3	17.2
South Dakota	NA	NA	8.6	8.1
<b>Southeast</b>	9.3	21.2	6.1	5.8
Alabama	10.6	26.7	7.3	10.0
Arkansas	9.8 *	17.4 *	7.5	8.5 *
Florida	NA	24.6	7.1	2.2
Georgia	14.2	(0.5) ¶	4.7	2.9
Kentucky	(9.2) *	113.9 ¶	5.0	9.0 ¶
Louisiana <sup>1</sup>	(13.6)	24.8	26.9	(1.0)
Mississippi	10.4	20.4	18.0	12.1
North Carolina	13.5	(11.1) *	9.9 ¶	7.5
South Carolina <sup>1</sup>	22.2	56.2	9.4	16.8
Tennessee	NA	20.3 ¶	6.2	8.2
Virginia	5.8 *	0.9	(15.6) *	4.7
West Virginia	20.9	33.5	3.7	(2.9)
<b>Southwest</b>	23.6	49.5	12.8	16.1
Arizona	31.8	36.6	15.1	23.2
New Mexico <sup>2</sup>	(3.0) *	227.9	11.2 *	9.2 *
Oklahoma	14.6 *	72.9	10.3	21.3 *
Texas	NA	NA	12.6	13.7
<b>Rocky Mountain</b>	24.1	60.1	5.8	21.9
Colorado	23.0	39.5	5.0	18.9 ¶
Idaho	27.5	38.9	(5.9) *	13.0 *
Montana	12.5	59.0	NA	43.9
Utah	29.0	108.9	12.0	26.2
Wyoming	NA	NA	17.9	1.5
<b>Far West</b>	25.8	2.9	8.6	14.3
Alaska	NA	191.5	NA	24.0
California	26.2	1.7	1.6	14.1
Hawaii	21.2	18.2	6.0 *	11.8
Nevada	NA	NA	6.3	6.2
Oregon	22.6	3.5	NA	21.2
Washington	NA	NA	42.2	13.9 ¶

See page 9 for notes.

All regions showed net gains. Sales tax revenue again grew fastest in the Southwest region at 12.8 percent with all four states recording double-digit gains. A slight increase was seen in the Mid-Atlantic region (reflecting sales tax reductions on gasoline and clothing in New York), and the Great Lakes states showed only a minimal gain (reflecting reductions in Ohio).

### **Corporate Income Tax**

Nominal tax revenue increased 14.7 percent in the April-June quarter. This exceeded the 12.5 percent increase in the January-March period due to an adjustment to the nominal numbers for that quarter (which actually indicated a decline). This adjustment reflected the aberration resulting from California's tax amnesty program, which artificially boosted receipts in the first quarter of 2005. However, the April-June increase, though nominally robust, was the slowest growth since the same quarter of 2004. It is too soon to tell from collections data if the spectacular performance from this source is beginning to wane.

### **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 slowed sharply to about half the level of the previous quarter. 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 2.9 percent in the second calendar quarter, compared to 5.6 percent in the January-March period. This sharp slowdown is attributed to slower consumer spending on durable goods and downturns in investment in equipment and software, as well as

<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>			
April-June	15.4 %	6.5 %	9.9 %
Jan.-Mar.	10.9	7.4	6.8
<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.)

Federal government spending. The national unemployment rate was 4.7 percent for the second quarter, unchanged from the previous three-month period.

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, 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.

<b>Table 5</b>	
<b>Quarterly Total Tax Revenue, by State Adjusted for Legislation and Inflation April-June, 2005 to 2006, Percent Change</b>	
<b>United States</b>	4.1 %
<b>New England</b>	3.3
Connecticut	2.2
Maine	6.8
Massachusetts	2.9
New Hampshire	0.1
Rhode Island <sup>1</sup>	1.9
Vermont	8.0
<b>Mid-Atlantic</b>	3.7
Delaware	6.1
Maryland	0.9
New Jersey <sup>1</sup>	(0.5)
New York	6.4
Pennsylvania	2.7
<b>Great Lakes</b>	(0.7)
Illinois	3.6
Indiana	0.8
Michigan	(2.4)
Ohio	(4.1)
Wisconsin	(1.7)
<b>Plains</b>	4.3
Iowa	3.1
Kansas	9.3
Minnesota	2.1
Missouri	3.8
Nebraska	6.5
North Dakota	10.5
South Dakota	2.4
<b>Southeast</b>	0.2
Alabama	4.2
Arkansas	5.4
Florida	(2.6)
Georgia	(2.7)
Kentucky	0.9
Louisiana <sup>1</sup>	(6.3)
Mississippi	6.1
North Carolina	1.1
South Carolina	10.7
Tennessee	2.3
Virginia	(0.4)
West Virginia	(8.1)
<b>Southwest</b>	10.2
Arizona	17.0
New Mexico <sup>2</sup>	5.0
Oklahoma	16.8
Texas	7.7
<b>Rocky Mountain</b>	15.6
Colorado	10.5
Idaho	12.1
Montana	36.3
Utah	19.6
Wyoming	(3.9)
<b>Far West</b>	8.0
Alaska	17.4
California	8.0
Hawaii	6.3
Nevada	0.6
Oregon	14.9
Washington	5.7

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

State Tax Revenue Shows Broad Strength

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

	2005		2006	
	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
<b>United States</b>	<b>6.9</b> %	<b>5.4</b> %	<b>8.6</b> %	<b>6.6</b> %
<b>New England</b>	<b>5.4</b>	<b>4.1</b>	<b>8.6</b>	<b>6.7</b>
Connecticut	7.9	1.5	15.3	7.7
Maine	5.5	3.5	2.5	5.6
Massachusetts	5.1	5.6	6.4	6.4
Rhode Island <sup>1</sup>	(1.5)	3.2	4.1	6.8
Vermont	3.4	2.8	12.4	5.6
<b>Mid-Atlantic</b>	<b>7.0</b>	<b>5.9</b>	<b>7.8</b>	<b>4.4</b>
Delaware	8.5	5.0	23.4	13.0
Maryland	7.8	6.4	8.9	5.8
New Jersey <sup>1</sup>	11.1	3.3	13.5	16.1
New York	6.1	6.3	6.4	6.4
Pennsylvania	4.9	5.8	4.2	(11.8)
<b>Great Lakes</b>	<b>4.4</b>	<b>5.1</b>	<b>4.0</b>	<b>4.4</b>
Illinois	6.8	3.7	6.5	7.1
Indiana	5.0	6.9	5.1	5.6
Michigan	0.5	(0.7)	2.7	(0.5)
Ohio	5.0	5.3 *	2.1	3.3
Wisconsin	4.7	12.8	3.7	7.2
<b>Plains</b>	<b>5.2</b>	<b>5.1</b>	<b>5.8</b>	<b>7.0</b>
Iowa	(0.9)	(1.4)	(1.8) *	4.4
Kansas	9.3	8.6	10.3	10.0
Minnesota	8.0	4.9	5.1 ¶	6.1
Missouri	7.0	6.9	8.1	6.2
Nebraska	(5.0)	7.1	10.2	13.8
North Dakota	6.0	12.7	2.1	10.3
<b>Southeast</b>	<b>7.4</b>	<b>5.3</b>	<b>8.9</b>	<b>7.6</b>
Alabama	7.8	6.2	6.9	7.9
Arkansas	8.1	7.8	8.3 *	9.9
Georgia <sup>2</sup>	7.0	5.7	9.6	6.3
Kentucky	6.0	3.3 *	2.7	0.3
Louisiana <sup>1</sup>	4.1	(1.9)	30.6	10.2
Mississippi	3.6	8.6	9.0	9.5
North Carolina	8.2	6.7	9.7	7.5
South Carolina	9.9	3.7	6.7	7.9
Virginia	7.3	4.9	7.1	10.0
West Virginia	8.1	7.2	9.6	6.2
<b>Southwest</b>	<b>13.8</b>	<b>12.0</b>	<b>11.7</b>	<b>8.5</b>
Arizona	20.1	16.6	13.0	9.9
New Mexico <sup>2</sup>	9.0	5.0	7.6	0.5
Oklahoma	9.2	9.6	6.1	8.5
<b>Rocky Mountain</b>	<b>4.9</b>	<b>8.4</b>	<b>10.6</b>	<b>8.9</b>
Colorado	3.7	6.0	7.7	8.2
Idaho	6.2	8.0	10.6	11.1
Montana	(1.7)	13.0	12.2	8.9
Utah	8.5	12.2	15.7	9.1
<b>Far West</b>	<b>9.3</b>	<b>4.0</b>	<b>14.2</b>	<b>9.6</b>
California	9.5	3.6	15.7	10.3
Hawaii	6.8	6.7	(9.8)	5.5
Oregon	8.3	6.4	10.5	5.7

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.

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 April-June 2006 quarter grew 1.4 percent compared to the year before, and has remained in the 1.4-1.6 percent range over the last four quarters. But the disparity in employment growth among the regions remains pronounced. Table 8 shows year-over-year employment growth for the nation and for each state for the first half of 2006 and the second half of 2005. Figure 3 maps the change in second quarter 2006 employment compared to the same period in 2005.

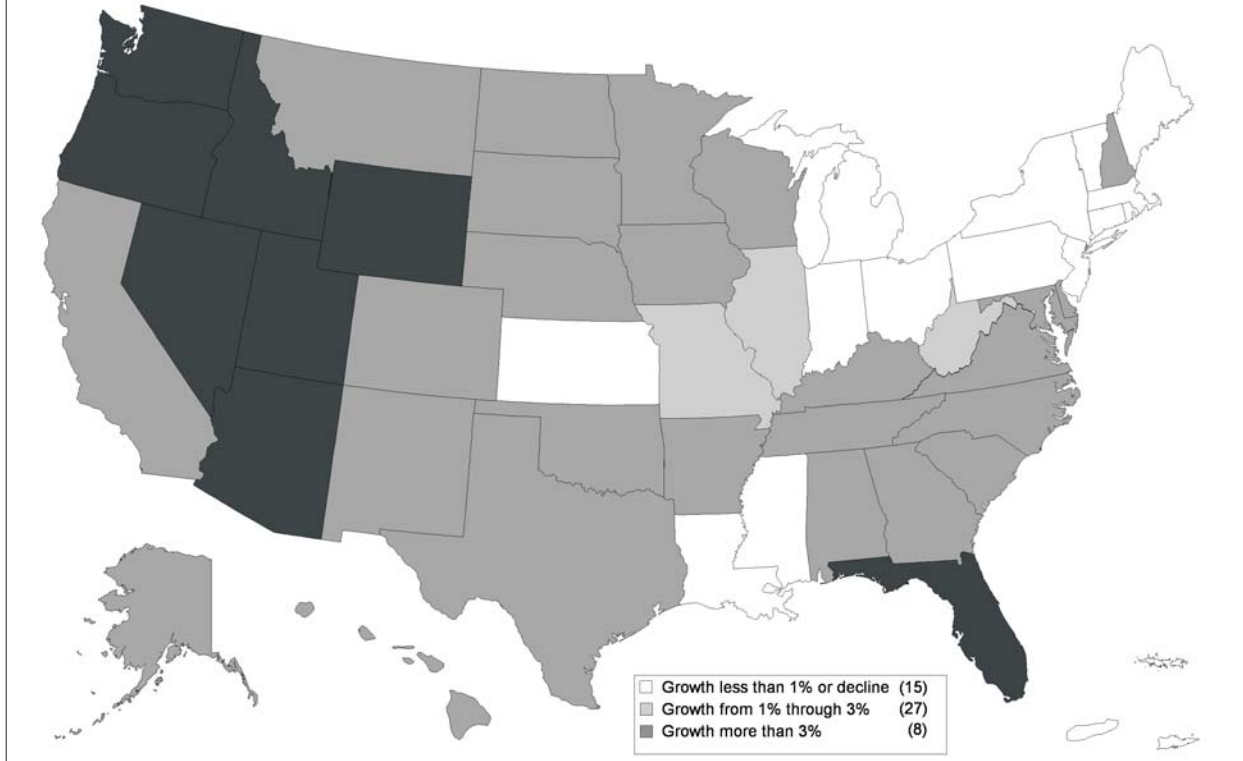
Job growth continues to be concentrated in the western states. The Southwest and Rocky Mountain regions have vied for the lead in creating jobs in recent quarters — this past quarter, the Rocky Mountain states came out on top, at 3.2 percent compared to the Southwest's 2.9 percent growth rate. The Far West, again, was just behind its neighboring regions at 2.1 percent. All 15 states in these three regions grew faster than the nation, and accounted for just over 50 percent of the job growth in the second quarter compared to the same period one year ago, while having about 30 percent of the total jobs. Nevada and Idaho led the nation with strong 5.1 percent growth, just ahead of Arizona's 4.8 percent growth. Eight states — Arizona, Arkansas, Idaho, Nevada, Oregon, Utah, Washington, and Wyoming — recorded growth of more than double the national rate. In contrast, job growth remains sluggish in the New England, Mid-Atlantic, and Great Lakes regions, with each expanding jobs at rates less than 1 percent. This sluggish job growth record was broad-based, with only Delaware among the regions' 16 states exceeding the national average rate. The Great Lakes and New England regions had the slowest job growth — 0.6 percent. Only Michigan and

<b>Table 7</b>	
<b>Estimated Payments/Declarations, by State</b>	
<b>Year-Over-Year Percent Change</b>	
April-June (First Two Payments for 2006)	
<b>Average (Mean)</b>	<b>17.6 %</b>
<b>Median</b>	<b>16.1</b>
Alabama	16.1
Arizona	39.4
Arkansas	9.7
California	24.9
Colorado	37.0
Connecticut	16.8
Delaware	13.3
Georgia <sup>2</sup>	7.7
Hawaii	37.1
Illinois	18.6
Indiana	13.4
Iowa	14.1
Kansas	24.9
Kentucky	(12.6)
Louisiana <sup>1</sup>	(12.6)
Maine	9.4
Maryland	13.1
Massachusetts	16.7
Michigan	10.6
Minnesota	18.9
Mississippi	2.6
Missouri	18.1
Montana	33.3
Nebraska	13.9
New Jersey <sup>1</sup>	7.8
New Mexico <sup>2</sup>	21.4
New York	15.0
North Carolina	21.0
North Dakota	41.7
Ohio	2.0
Oklahoma	24.3
Oregon	8.1
Pennsylvania	19.3
Rhode Island <sup>1</sup>	8.6
South Carolina	25.7
Vermont	15.9
Virginia	16.2
West Virginia	20.8
Wisconsin	12.7
See page 9 for notes.	

<b>Table 8</b>				
<b>Nonfarm Employment, by State</b>				
<b>Last Four Quarters, Year-Over-Year Percent Change</b>				
	2005		2006	
	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
<b>United States</b>	<b>1.6</b>	<b>1.4</b>	<b>1.5</b>	<b>1.4</b>
<b>Sum of States</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>1.5</b>
<b>New England</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.6</b>
Connecticut	0.7	0.7	0.8	0.5
Maine	(0.1)	(0.0)	0.1	0.2
Massachusetts	0.4	0.5	1.0	0.7
New Hampshire	1.1	0.7	1.4	1.1
Rhode Island	0.7	0.6	0.9	0.5
Vermont	0.5	0.7	0.6	0.6
<b>Mid-Atlantic</b>	<b>1.0</b>	<b>0.9</b>	<b>1.2</b>	<b>0.9</b>
Delaware	1.5	1.4	1.8	1.6
Maryland	1.4	1.4	1.6	1.4
New Jersey	1.1	1.1	1.3	0.9
New York	0.7	0.6	1.0	0.8
Pennsylvania	1.1	1.0	1.2	0.9
<b>Great Lakes</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>
Illinois	1.0	1.0	1.1	1.0
Indiana	0.7	1.0	1.2	0.7
Michigan	(0.4)	(0.4)	(0.3)	(0.4)
Ohio	0.3	0.5	0.7	0.6
Wisconsin	0.8	1.1	1.4	1.1
<b>Plains</b>	<b>1.2</b>	<b>1.1</b>	<b>1.6</b>	<b>1.4</b>
Iowa	1.6	1.8	1.9	1.7
Kansas	0.1	0.2	0.7	0.1
Minnesota	0.8	1.0	1.8	1.9
Missouri	1.7	1.0	1.4	1.0
Nebraska	1.2	1.7	2.1	1.7
North Dakota	1.8	2.0	2.5	1.5
South Dakota	1.7	1.8	2.5	2.4
<b>Southeast</b>	<b>2.2</b>	<b>1.6</b>	<b>1.7</b>	<b>1.4</b>
Alabama	2.2	2.2	2.5	1.8
Arkansas	1.9	1.7	1.4	1.2
Florida	4.3	4.0	3.8	3.2
Georgia	2.8	2.4	2.4	1.9
Kentucky	1.7	1.5	1.6	1.2
Louisiana	(2.0)	(9.9)	(8.6)	(9.2)
Mississippi	0.1	(0.2)	0.2	0.0
North Carolina	1.6	1.8	1.7	2.1
South Carolina	1.1	1.4	2.2	2.6
Tennessee	1.4	1.3	1.4	1.2
Virginia	2.4	2.2	2.2	1.8
West Virginia	1.3	1.4	1.4	0.9
<b>Southwest</b>	<b>3.2</b>	<b>3.2</b>	<b>3.4</b>	<b>2.9</b>
Arizona	5.7	5.3	5.6	4.8
New Mexico	2.6	2.6	2.8	2.6
Oklahoma	2.6	2.5	2.9	2.0
Texas	2.6	2.9	2.9	2.6
<b>Rocky Mountain</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
Colorado	2.2	2.2	2.3	2.1
Idaho	4.2	4.9	5.0	5.1
Montana	2.3	2.3	2.2	2.1
Utah	4.4	4.6	4.4	4.6
Wyoming	3.4	3.2	3.6	3.6
<b>Far West</b>	<b>2.4</b>	<b>2.4</b>	<b>2.6</b>	<b>2.1</b>
Alaska	1.9	1.6	1.7	1.5
California	1.9	1.8	2.0	1.5
Hawaii	3.2	3.0	3.5	2.7
Nevada	6.1	6.0	6.3	5.1
Oregon	2.9	3.2	3.9	3.6
Washington	2.9	3.2	3.4	3.2
Source: Bureau of Labor Statistics.				



**Figure 3**  
**Nonfarm Employment, April-June, 2005 to 2006, Percent Change**



Louisiana lost jobs in the April-June quarter, with the latter still struggling from the effects of the hurricanes (a 9.2 percent employment decline).

**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 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 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

**Key to Interpreting Tables**

All percent change tables are based on year-over-year changes.

- 1 indicates data through May only.
- 2 indicates data through April 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>.

	<b>PIT</b>	<b>CIT</b>	<b>Sales</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>United States</b>	<b>10.6</b>	<b>10.8</b>	<b>6.4</b>	<b>8.5</b>
<b>New England</b>	<b>8.0</b>	<b>29.3</b>	<b>3.5</b>	<b>8.1</b>
Connecticut	10.5	16.7	3.4	8.7
Maine	(1.2)	38.3	5.5	7.3
Massachusetts	8.2	30.9	3.0	8.2
New Hampshire	NA	49.9	NA	9.9
Rhode Island <sup>1</sup>	2.9	43.4	3.1	4.3
Vermont	8.4	25.7	4.5	7.4
<b>Mid-Atlantic</b>	<b>9.8</b>	<b>17.0</b>	<b>2.0</b>	<b>7.8</b>
Delaware	15.1	42.7	NA	11.3
Maryland	9.1	(3.6)	7.2	7.3
New Jersey <sup>1</sup>	10.7	23.0	3.7	9.4
New York	9.8	16.4	(2.0)	7.5
Pennsylvania	8.9	19.8	4.2	6.9
<b>Great Lakes</b>	<b>4.9</b>	<b>6.2</b>	<b>1.9</b>	<b>4.5</b>
Illinois	7.8	15.2	7.5	6.8
Indiana	2.6	12.2	5.4	5.5
Michigan	3.5	1.5	1.8	3.5
Ohio	2.2	0.3	(5.9)	2.5
Wisconsin	8.0	1.1	3.6	4.5
<b>Plains</b>	<b>9.0</b>	<b>29.7</b>	<b>4.8</b>	<b>8.4</b>
Iowa	2.6	24.1	3.8	3.8
Kansas	15.6	54.9	6.0	13.1
Minnesota	8.4	14.7	4.8	8.8
Missouri	8.3	49.2	4.8	6.8
Nebraska	10.4	32.2	2.7	10.4
North Dakota	13.1	58.1	5.0	16.1
South Dakota	NA	NA	8.0	7.5
<b>Southeast</b>	<b>8.5</b>	<b>30.7</b>	<b>8.6</b>	<b>8.8</b>
Alabama	9.9	27.2	8.8	9.8
Arkansas	8.7	26.5	7.9	8.9
Florida	39.1	9.9	8.4	
Georgia	10.4	25.0	8.5	9.3
Kentucky	(3.9)	109.3	4.8	8.9
Louisiana <sup>1</sup>	0.3	48.5	18.1	8.0
Mississippi	6.9	11.9	17.4	10.4
North Carolina	11.8	2.4	9.3	10.0
South Carolina	11.3	33.1	7.8	9.0
Tennessee	15.2	7.1	7.5	
Virginia	8.2	41.3	(2.3)	8.1
West Virginia	14.7	23.8	5.7	4.8
<b>Southwest</b>	<b>15.7</b>	<b>39.3</b>	<b>11.9</b>	<b>12.9</b>
Arizona	24.1	24.5	16.7	19.1
New Mexico <sup>2</sup>	3.2	52.4	10.3	12.8
Oklahoma	9.9	82.9	9.0	15.3
Texas	NA	NA	11.4	11.0
<b>Rocky Mountain</b>	<b>14.5</b>	<b>56.8</b>	<b>5.3</b>	<b>13.1</b>
Colorado	13.0	44.9	5.3	11.6
Idaho	16.3	41.0	(5.2)	6.2
Montana	11.0	58.9	23.1	
Utah	17.8	85.5	10.2	16.6
Wyoming	NA	NA	17.5	13.3
<b>Far West</b>	<b>17.1</b>	<b>(13.5)</b>	<b>8.0</b>	<b>9.4</b>
Alaska	NA	118.9	NA	34.8
California	17.5	(15.9)	6.9	8.2
Hawaii	12.2	51.9	10.2	10.9
Nevada	NA	NA	9.7	8.9
Oregon	15.3	35.6	NA	16.7
Washington	NA	NA	10.8	10.3

See page 9 for notes.

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 plunge as 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. Most states, and especially the nonproducing ones, face more complex revenue impacts from rising gasoline prices, as consumer spending on other taxable products may be squeezed. 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 April-June 2006 quarter, enacted tax changes and processing variations decreased state revenue by an estimated net of only about \$34 million compared to the same period in 2005. This is the fourth straight quarter of net enacted tax cuts.

Sales tax reductions were the favorite form of tax relief by lawmakers with reductions totaling a net \$439 million. Sales tax actions 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 \$200 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 accelerated again in the second quarter of 2006, marking two quarters of improvement from the slight slowdown in the fourth quarter of 2005. The growth was driven by the personal income and corporate income taxes.

State tax collection strength was at odds with a slowing national economy, as the GDP has exhibited an oscillating pattern with one quarter of real strength followed by a slower expansion. Notwithstanding national indicators, strong economic performance continues to characterize the three western regions, where employment growth substantially exceeded the 1.4 percent national rate. Not surprisingly, tax collections in these three regions significantly outpaced national trends.

This continued tax collection strength came as state lawmakers finished work on the budgets for 2006-07. As the states put budgets in place, there was little apparent concern about any prolonged slowdown in tax revenue growth. On the contrary, many states recorded collections above projected levels and ran budget surpluses in their 2005-06 fiscal year. Tax cuts — along with actions to increase spending and replenish reserve funds — enjoyed broad support. However, the question remains — were states too aggressive in “spending” the tax collections windfall?

### **Endnotes**

- 1 Four states have different fiscal years: Alabama and Michigan (October 1 to September 30), New York (April 1 to March 31), and Texas (September 1 to August 31). Data in Tables 9 and 11 reflect the 12-month period July-June.
- 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, April-June, 2005 and 2006 (\$ in millions)**

	2005				2006			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
<b>United States</b>	<b>71,485</b>	<b>13,806</b>	<b>52,810</b>	<b>167,108</b>	<b>82,310</b>	<b>15,839</b>	<b>55,805</b>	<b>183,671</b>
<b>New England</b>	<b>6,400</b>	<b>649</b>	<b>2,687</b>	<b>12,480</b>	<b>7,065</b>	<b>877</b>	<b>2,742</b>	<b>13,696</b>
Connecticut	2,276	231	1,156	4,393	2,528	255	1,187	4,785
Maine	494	54	311	1,029	524	66	329	1,187
Massachusetts	3,241	258	1,009	5,174	3,587	357	1,010	5,625
New Hampshire	NA	77	NA	437	NA	162	NA	474
Rhode Island <sup>1</sup>	209	7	136	394	231	9	142	425
Vermont	180	22	74	1,053	196	28	75	1,201
<b>Mid Atlantic</b>	<b>15,740</b>	<b>2,669</b>	<b>6,635</b>	<b>29,476</b>	<b>18,010</b>	<b>3,034</b>	<b>6,653</b>	<b>32,199</b>
Delaware	271	55	NA	702	317	75	NA	770
Maryland	1,910	222	786	3,218	2,071	254	845	3,444
New Jersey <sup>1</sup>	2,570	824	1,085	5,250	2,786	919	1,134	5,555
New York	8,152	857	2,717	13,381	9,669	876	2,526	14,928
Pennsylvania	2,837	712	2,047	6,925	3,167	910	2,148	7,503
<b>Great Lakes</b>	<b>10,435</b>	<b>2,186</b>	<b>7,910</b>	<b>23,336</b>	<b>11,013</b>	<b>2,308</b>	<b>7,996</b>	<b>24,340</b>
Illinois	2,791	611	1,680	5,990	3,122	693	1,832	6,553
Indiana	1,390	432	1,259	3,519	1,468	478	1,323	3,744
Michigan	1,707	592	1,994	4,612	1,783	603	2,016	4,756
Ohio	2,933	358	1,986	5,836	2,889	324	1,817	5,792
Wisconsin	1,613	193	991	3,379	1,751	211	1,007	3,494
<b>Plains</b>	<b>5,358</b>	<b>681</b>	<b>3,434</b>	<b>11,178</b>	<b>6,095</b>	<b>864</b>	<b>3,626</b>	<b>12,366</b>
Iowa	798	105	459	1,489	867	147	469	1,602
Kansas	719	114	478	1,454	871	162	506	1,676
Minnesota	1,704	218	1,281	3,913	1,901	218	1,382	4,306
Missouri	1,588	147	677	2,941	1,810	204	711	3,228
Nebraska	449	63	313	891	527	79	317	997
North Dakota	101	33	102	315	121	54	105	369
South Dakota	NA	NA	126	175	NA	NA	137	189
<b>Southeast</b>	<b>12,093</b>	<b>3,023</b>	<b>14,016</b>	<b>37,013</b>	<b>13,216</b>	<b>3,663</b>	<b>14,867</b>	<b>39,158</b>
Alabama	934	155	529	2,137	1,034	196	567	2,351
Arkansas	703	100	508	1,396	772	117	546	1,515
Florida	NA	683	4,788	7,448	NA	851	5,126	7,615
Georgia	2,087	307	1,402	4,427	2,382	305	1,468	4,557
Kentucky	895	224	765	2,362	813	479	804	2,575
Louisiana <sup>1</sup>	583	144	384	1,612	504	180	488	1,595
Mississippi	432	106	758	1,680	477	128	895	1,883
North Carolina	2,720	473	1,190	5,335	3,087	421	1,308	5,736
South Carolina	797	75	622	1,675	973	117	681	1,955
Tennessee	NA	373	1,554	2,936	NA	449	1,650	3,178
Virginia	2,532	280	1,224	4,825	2,679	283	1,033	5,052
West Virginia	410	105	290	1,182	495	140	301	1,148
<b>Southwest</b>	<b>1,854</b>	<b>357</b>	<b>6,357</b>	<b>13,617</b>	<b>2,292</b>	<b>534</b>	<b>7,173</b>	<b>15,813</b>
Arizona	1,047	267	982	2,463	1,380	364	1,131	3,035
New Mexico <sup>2</sup>	80	9	131	284	77	28	145	310
Oklahoma	728	82	416	1,481	835	141	459	1,797
Texas	NA	NA	4,829	9,390	NA	NA	5,438	10,672
<b>Rocky Mountain</b>	<b>2,490</b>	<b>340</b>	<b>1,295</b>	<b>4,730</b>	<b>3,090</b>	<b>545</b>	<b>1,370</b>	<b>5,768</b>
Colorado	1,215	145	502	1,890	1,494	202	528	2,248
Idaho	386	59	280	881	492	82	263	995
Montana	258	49	NA	513	290	78	NA	738
Utah	631	88	425	1,290	814	184	477	1,628
Wyoming	NA	NA	87	156	NA	NA	103	158
<b>Far West</b>	<b>17,116</b>	<b>3,901</b>	<b>10,477</b>	<b>35,279</b>	<b>21,530</b>	<b>4,015</b>	<b>11,379</b>	<b>40,332</b>
Alaska	NA	20	NA	684	NA	58	NA	848
California	15,264	3,676	7,490	27,528	19,264	3,738	7,608	31,411
Hawaii	405	47	555	1,111	490	55	588	1,241
Nevada	NA	NA	769	987	NA	NA	818	1,048
Oregon	1,448	158	NA	1,686	1,775	164	NA	2,044
Washington	NA	NA	1,663	3,284	NA	NA	2,366	3,741

See page 9 for notes.

**State Tax Revenue Shows Broad Strength**

	<b>FY 2005</b>				<b>FY 2006</b>			
	<b>Personal Income</b>	<b>Corporate Income</b>	<b>Sales</b>	<b>Total</b>	<b>Personal Income</b>	<b>Corporate Income</b>	<b>Sales</b>	<b>Total</b>
<b>United States</b>	<b>222,952</b>	<b>40,397</b>	<b>200,380</b>	<b>559,910</b>	<b>246,494</b>	<b>44,767</b>	<b>213,202</b>	<b>607,457</b>
<b>New England</b>	<b>17,909</b>	<b>2,201</b>	<b>9,202</b>	<b>37,019</b>	<b>19,340</b>	<b>2,846</b>	<b>9,524</b>	<b>40,009</b>
Connecticut	5,571	646	3,290	11,499	6,156	754	3,403	12,494
Maine	1,270	136	941	2,924	1,255	188	993	3,139
Massachusetts	9,690	1,063	3,891	17,087	10,483	1,391	4,009	18,487
New Hampshire	NA	211	NA	1,467	NA	317	NA	1,612
Rhode Island <sup>1</sup>	878	84	769	2,018	904	121	793	2,106
Vermont	500	60	311	2,023	542	76	325	2,172
<b>Mid-Atlantic</b>	<b>52,705</b>	<b>7,819</b>	<b>26,811</b>	<b>104,904</b>	<b>57,859</b>	<b>9,151</b>	<b>27,336</b>	<b>113,056</b>
Delaware	882	114	NA	2,146	1,015	163	NA	2,389
Maryland	5,499	888	2,824	9,918	5,997	856	3,028	10,646
New Jersey <sup>1</sup>	8,122	2,004	5,335	18,699	8,993	2,466	5,531	20,465
New York	29,455	2,892	10,653	49,269	32,330	3,365	10,443	52,960
Pennsylvania	8,747	1,921	8,000	24,872	9,524	2,302	8,334	26,596
<b>Great Lakes</b>	<b>32,986</b>	<b>6,111</b>	<b>30,976</b>	<b>81,300</b>	<b>34,615</b>	<b>6,487</b>	<b>31,551</b>	<b>84,959</b>
Illinois	8,873	1,548	6,627	20,427	9,568	1,784	7,126	21,807
Indiana	4,213	825	4,960	11,437	4,322	925	5,226	12,061
Michigan	5,962	1,917	7,938	18,901	6,171	1,945	8,078	19,562
Ohio	8,599	1,052	7,827	19,088	8,786	1,055	7,368	19,563
Wisconsin	5,339	769	3,624	11,448	5,768	778	3,753	11,966
<b>Plains</b>	<b>17,718</b>	<b>2,070</b>	<b>13,053</b>	<b>38,490</b>	<b>19,321</b>	<b>2,685</b>	<b>13,677</b>	<b>41,726</b>
Iowa	2,782	281	1,812	5,231	2,854	349	1,881	5,427
Kansas	2,051	226	1,893	4,598	2,371	350	2,005	5,200
Minnesota	6,341	926	4,498	13,873	6,875	1,062	4,716	15,095
Missouri	4,866	354	2,672	9,955	5,361	529	2,800	10,629
Nebraska	1,400	198	1,231	3,037	1,545	262	1,264	3,352
North Dakota	277	84	414	1,062	314	133	434	1,233
South Dakota	NA	NA	534	734	NA	NA	577	789
<b>Southeast</b>	<b>39,325</b>	<b>7,458</b>	<b>52,304</b>	<b>123,309</b>	<b>42,676</b>	<b>9,751</b>	<b>56,782</b>	<b>134,112</b>
Alabama	2,877	392	2,005	7,401	3,161	499	2,181	8,130
Arkansas	2,169	300	1,980	4,758	2,357	380	2,136	5,181
Florida	NA	1,730	17,622	24,704	NA	2,405	19,367	26,775
Georgia	7,285	712	5,295	14,882	8,041	891	5,745	16,261
Kentucky	3,036	479	3,003	8,445	2,919	1,002	3,145	9,199
Louisiana <sup>1</sup>	2,160	288	2,082	6,176	2,165	428	2,438	6,667
Mississippi	1,174	368	2,587	5,516	1,255	412	3,036	6,089
North Carolina	8,409	1,272	4,477	17,388	9,400	1,302	4,894	19,133
South Carolina	2,691	214	2,097	5,667	2,995	285	2,260	6,179
Tennessee	NA	806	6,050	9,579	NA	928	6,482	10,297
Virginia	8,352	617	4,011	15,230	9,039	872	3,918	16,468
West Virginia	1,172	281	1,095	3,563	1,345	348	1,158	3,735
<b>Southwest</b>	<b>6,262</b>	<b>1,081</b>	<b>25,340</b>	<b>48,923</b>	<b>7,242</b>	<b>1,506</b>	<b>28,366</b>	<b>55,218</b>
Arizona	2,974	702	3,661	7,819	3,689	874	4,273	9,315
New Mexico <sup>2</sup>	914	204	1,285	3,028	943	311	1,418	3,417
Oklahoma	2,375	175	1,617	5,146	2,610	321	1,762	5,934
Texas	NA	NA	18,776	32,930	NA	NA	20,912	36,553
<b>Rocky Mountain</b>	<b>7,451</b>	<b>754</b>	<b>5,065</b>	<b>15,330</b>	<b>8,532</b>	<b>1,183</b>	<b>5,333</b>	<b>17,340</b>
Colorado	3,770	316	2,000	6,207	4,259	458	2,105	6,924
Idaho	1,051	141	1,122	2,853	1,223	198	1,064	3,030
Montana	693	97	NA	1,385	769	154	NA	1,706
Utah	1,938	201	1,634	4,338	2,282	374	1,801	5,060
Wyoming	NA	NA	310	547	NA	NA	364	620
<b>Far West</b>	<b>48,596</b>	<b>12,903</b>	<b>37,628</b>	<b>110,636</b>	<b>56,908</b>	<b>11,157</b>	<b>40,633</b>	<b>121,037</b>
Alaska	NA	61	NA	1,720	NA	133	NA	2,320
California	42,516	12,433	26,014	84,071	49,941	10,456	27,806	90,994
Hawaii	1,381	86	2,137	3,998	1,551	130	2,355	4,435
Nevada	NA	NA	2,884	3,741	NA	NA	3,164	4,076
Oregon	4,699	323	NA	5,354	5,417	438	NA	6,245
Washington	NA	NA	6,593	11,752	NA	NA	7,308	12,968

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.

### **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.

This report was written by Brian T. Stenson, Deputy Director of the Institute. Nai-Ling Kuo collected the data and prepared tables and figures. 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.

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

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