

HIGHLIGHTS

- State tax revenue totaled \$187.6 billion in the April-June 2007 quarter, up 6.1 percent from the same period in 2006.
- For the year ending in June 2007, the period corresponding to most states' fiscal years, preliminary figures show total state tax collections rising above \$630 billion, an increase of some 5.1 percent from the previous year.
- After adjusting for inflation and legislated tax changes, underlying growth in the most recent quarter was 1.9 percent. The second quarter of 2007 represented the 15th consecutive quarter of growth in real, adjusted terms.
- Personal income tax revenue rose at a stronger pace for the second consecutive quarter, while growth in sales tax revenues was again relatively weak, one of the lowest in four years.
- Among the regions, nominal revenue growth again showed strong collections by the Rocky Mountain states at 13.2 percent, as well as the New England region with a growth of 8.0 percent.
- The Great Lakes region had zero job growth, continuing a trend of flat or slowly growing employment since before the most recent recession.
- State tax revenue growth was reduced by almost \$2.0 billion in net enacted tax cuts for the quarter.

State Sales Tax Revenue Tenuous for Second Consecutive Quarter

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Tax Revenue Change

State tax revenues can be leading indicators of wages, sales and other key elements of the nation's economy. In nominal terms, and after adjusting for inflation and legislated changes, the increase in state tax revenue during the second quarter of 2007 was higher than the past three quarters. Such growth, while still relatively weak by long-term historical standards, may be a useful indicator as economists debate likely near-term trends in the national economy.

State tax revenue increased 6.1 percent in the April-June quarter of 2007 compared to the same quarter the year before. This nominal growth rate has risen for the past two quarters, after weakening in the last two quarters of 2006. Changes in nominal tax revenues for the last 34 quarters (1999-2007) are shown in Table 2.

Inflation for the year ending in the second quarter of 2007 was 5.2 percent, measured by the state and local government consumption expenditure index. The inflation rate for states and localities was higher than the previous three quarters or the recent historical average of 4.1 percent for the past 34 quarters. When the effects of enacted tax cuts and inflation are considered, real adjusted state tax revenue increased 1.9 percent (Table 1). 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.

Two of three major state taxes showed stronger growth than the previous quarter, and overall tax revenue showed stronger growth as well:

- ✓ Personal income tax revenue increased 8.7 percent in April-June 2007, up from the first quarter rate of 6.8 percent, but still little more than half of the year-ago second quarter rate of 15.1 percent.
- ✓ The corporate income tax slowed to a gain of 2.5 percent, its second worst performance in the last four years.
- ✓ Sales tax collections grew 3.1 percent, not as slow as the growth of 2.8 percent in the first quarter of 2007, but the second lowest in four years.

Table 2 shows the last 34 quarters of change in collections of the major state tax sources.

Total growth in state tax revenue in the second quarter of 2007 was higher than the historical average over the past eight years of 5.1 percent. Most regions showed single-digit growth for the quarter. The western regions showed the strongest growth, with the Rocky Mountain states increasing 13.2 percent, and growth in the Far West rising from a weak first quarter to a much stronger growth of 6.8 percent.

Table 1				
Quarterly State Tax Revenue				
Adjusted for Legislated Tax Changes and Inflation				
Year-Over-Year Percent Change				
	Total Nominal Change	Adjusted Nominal Change	Inflation Rate	Adjusted Real Change
2007				
April-June	6.1 %	7.2 %	5.2 %	1.9 %
Jan.-Mar.	4.8	5.8	4.3	1.4
2006				
Oct.-Dec.	4.3	5.0	3.6	1.4
July-Sept.	4.6	5.5	4.7	0.8
April-June	9.9	9.9	5.7	4.0
Jan.-Mar.	6.8	6.8	5.8	0.9
2005				
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
2004				
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	7.0	2.9	4.0
2003				
Oct.-Dec.	7.3	4.9	3.8	1.0
July-Sept.	4.5	2.6	3.9	(1.2)
April-June	3.2	0.4	3.9	(3.4)
Jan.-Mar.	1.4	(1.0)	4.7	(5.4)
2002				
Oct.-Dec.	1.9	0.3	3.3	(2.9)
July-Sept.	2.5	0.7	2.7	(2.0)
April-June	(10.6)	(12.1)	2.2	(14.0)
Jan.-Mar.	(7.8)	(8.2)	1.7	(9.7)
2001				
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	0.8
Jan.-Mar.	5.1	6.3	3.6	2.6
2000				
Oct.-Dec.	4.0	5.0	4.2	0.7
July-Sept.	7.1	7.7	4.5	3.0
April-June	11.4	11.8	4.5	6.9
Jan.-Mar.	9.7	10.4	4.8	5.3
1999				
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	5.1
Jan.-Mar.	4.8	6.5	2.0	4.4

Source: Individual state data, analysis by Rockefeller Institute. Legislated tax changes by National Conference of State Legislatures (NCSL). Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index.

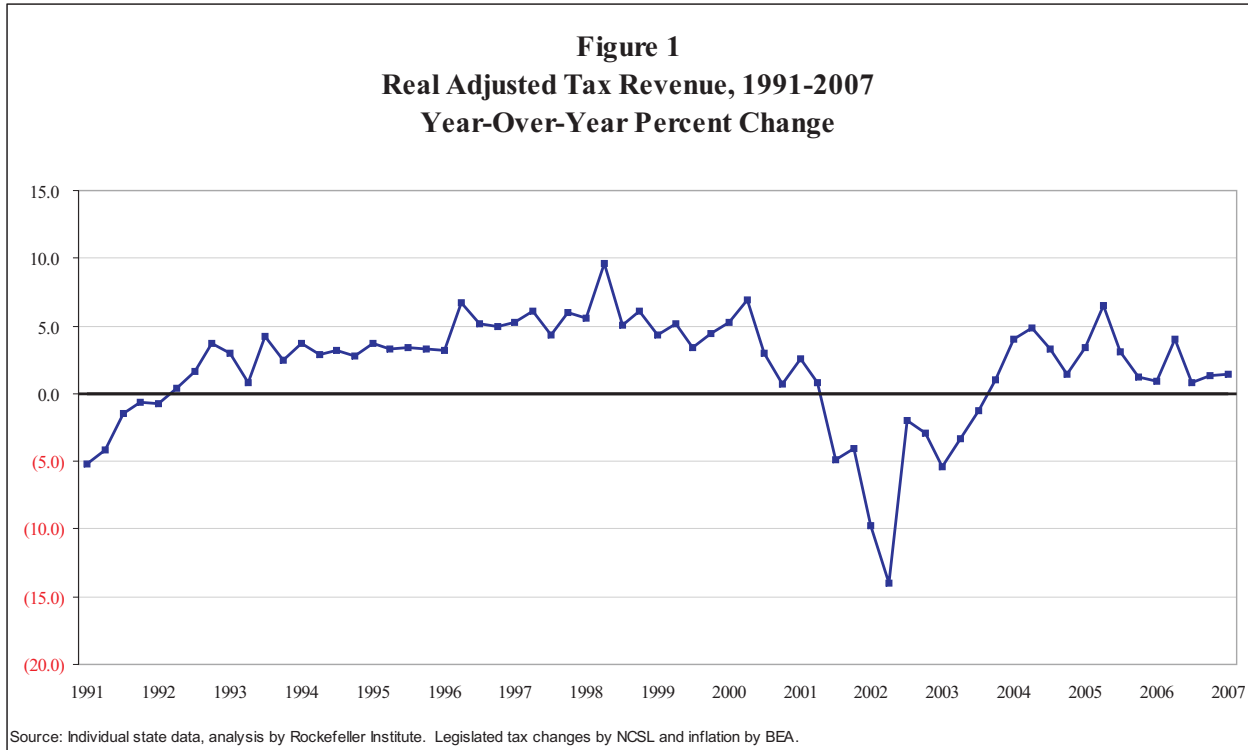
Total growth was boosted by a one-time payment of \$805 million in Alaska, which increased total tax revenue by 117.2 percent in that state. The southwestern and Plains states had solid growth of 7.9 percent. Growth of 10 percent or more was recorded in nine states, compared with 22 in the second quarter of 2006. Additionally, nine states had revenue declines this quarter, compared with three in the second quarter of 2006. Table 3 shows the

Table 2				
Quarterly State Tax Revenue				
By Major Tax, Year-Over-Year Percent Change				
	PIT	CIT	Sales	Total
2007				
April-June	8.7 %	2.5 %	3.1 %	6.1 %
Jan.-Mar.	6.8	14.3	2.8	4.8
2006				
Oct.-Dec.	4.0	16.8	5.0	4.2
July-Sept.	6.6	11.1	4.1	4.7
April-June	15.1	14.7	5.7	9.9
Jan.-Mar.	10.6	(13.8)	6.6	6.8
2005				
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
2004				
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
2003				
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
2002				
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)
2001				
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
2000				
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
1999				
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

Source: Individual state data, analysis by Rockefeller Institute.

growth by state and region for the three major state taxes and total state taxes.

Among individual states, total collections in the second quarter were up strongly in Kansas, North Dakota, Georgia, North Carolina, Texas, Colorado, Idaho, Utah, and Alaska compared to a year earlier. Total revenues dropped relative to the year-ago quarter in New Hampshire, Michigan,



Florida, Kentucky, Louisiana, West Virginia, Arizona, Oklahoma, and Nevada.

This was the sixth consecutive quarter with a net tax cut taking effect, a total of approximately \$2.0 billion in net enacted reductions. New York registered the largest net tax cuts for a single state of \$977 million. Among regions, only the Far West reported net increases, and New Jersey led the states in net tax increases with \$519 million, mostly through sales tax increases (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.

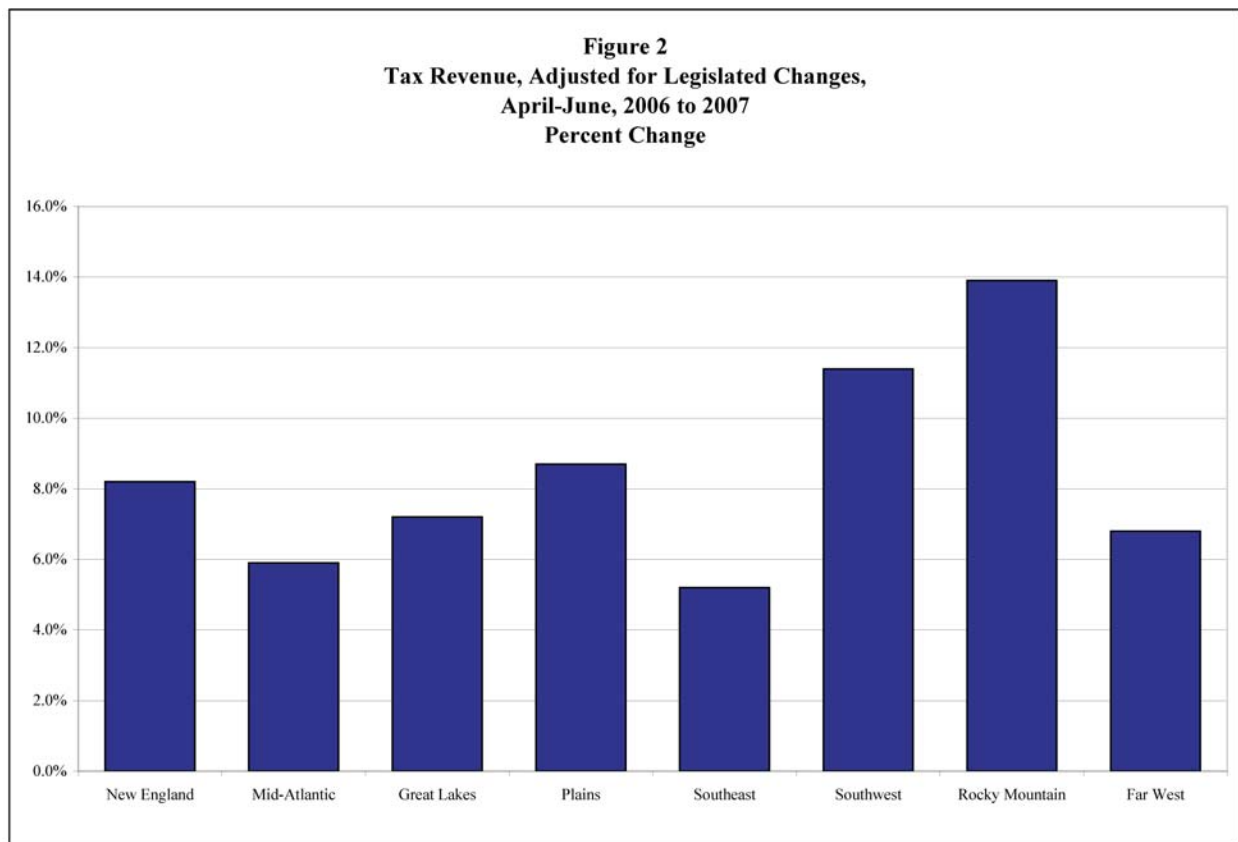
States without complete data for this report include Louisiana, New Jersey, New Mexico and Rhode Island. Louisiana reported tax collections through April, while the other three states have reported revenue through March.

Personal Income Tax

Personal income taxes are the largest single source of state tax revenue. In the second quarter of 2007, they accounted for 45 percent overall, and 48 percent in the states that collect personal income

taxes. Nine states do not have personal income taxes. Personal income tax revenue makes up at least half of total tax revenue in 17 of the 50 states, and over 40 percent in 29 states. In states that impose a personal income tax, such revenue ranged from 18 percent to 87 percent of total second-quarter collections.

Personal income tax revenue grew 8.7 percent in the April-June 2007 quarter compared to the same quarter in 2006. By way of comparison, federal personal income tax collections grew 11.9 percent during the second quarter, up from 10.3 percent in the first quarter.¹ The strongest growth in state personal income tax revenue was in the Rocky Mountain region, where collections grew 19.0 percent, followed closely by the Southeast states, at 15.9 percent. Collections in the Southwest region decreased by 8.5 percent. Of the 38 states with a broad-based personal income tax and for which first quarter information is available, 34 reported growth, while 23 states had double-digit increases. Mississippi led the states with growth of 27.2 percent. Only four states showed a decline in personal income tax collections, the largest being 11.2 percent for Arizona. Arizona had \$42 million in legislated tax cuts for the second quarter.



Source: Individual state data, analysis by Rockefeller Institute.

We can get a clearer picture of collections from the personal income tax by breaking this source 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 that withholding for the April-June 2007 quarter grew 6.2 percent over the same quarter of 2006. Louisiana, New Jersey and Utah reported strong growth of more than 15 percent.

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, such

as 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.

In the 38 states for which we have complete data, estimated tax payments for the first two payment periods rose by an average 9.1 percent compared to a year earlier (see Table 7). Increases were recorded in 34 states, with 22 reporting double-digit growth over the year. Four states had increases of more than 20 percent, and four showed year-over-year declines. The increases indicate that most taxpayers who receive non-wage income are expecting it to be higher this year than last.

General Sales Tax

In the second quarter of 2007, sales tax revenue comprised 30 percent of total tax revenue in all 50 states, and 33 percent in the 45 states that impose

Table 3
Quarterly Tax Revenue by Major Tax, by State
April-June, 2006 to 2007, Percent Change

	PIT	CIT	Sales	Total
United States	8.7 %	2.5 %	3.1 %	6.1 %
New England	12.9	31.1	4.1	8.0
Connecticut	13.0	18.7 ¶	7.5	9.7
Maine	9.5	18.0	1.2	3.8
Massachusetts	13.3	75.8	1.0	9.6
New Hampshire	NA	(34.9)	NA	(0.8)
Rhode Island	ND	ND	ND	ND
Vermont	14.2	(15.2)	5.3	1.3 *
Mid-Atlantic	5.5	(5.8)	3.5	3.9
Delaware	(2.7)	(24.6) ¶	NA	5.6
Maryland	14.3	3.2	1.8	9.2
New Jersey	ND	ND	ND	ND
New York	2.2 ¶	(10.8) ¶	4.0 ¶	1.7 ¶
Pennsylvania	10.8	(1.9) ¶	3.7	5.7
Great Lakes	8.5	6.5	0.8	4.7
Illinois	10.0	23.1	(3.5)	7.1
Indiana	9.7	(0.8)	4.0	6.1
Michigan	5.0	(7.0)	(2.7)	(0.4)
Ohio	6.7 ¶	14.6 ¶	5.0	4.2 ¶
Wisconsin	11.4	(5.3) ¶	3.4	6.4
Plains	10.8	5.7	2.9	7.9
Iowa	13.5 ¶	2.4	4.4	9.3
Kansas	18.4	16.7	1.0	19.2
Minnesota	8.5	(5.1)	1.5	4.2
Missouri	9.7	20.4	1.5	7.3
Nebraska	4.9 ¶	(20.5)	3.1 ¶	2.5 ¶
North Dakota	15.3	8.6	22.1	14.0
South Dakota	NA	NA	11.1 ¶	9.7 ¶
Southeast	15.9	0.1	0.0	4.8
Alabama	10.8 ¶	(11.8)	3.2	4.4
Arkansas	10.0	20.0	3.2	7.9
Florida	NA	(6.7)	(3.2)	(5.9) ¶
Georgia	14.4	33.6	5.5	12.0
Kentucky	12.0	(27.2) ¶	3.2	(0.2) ¶
Louisiana ^A	19.2	(3.6)	(15.5)	(0.6)
Mississippi	27.2	7.0	0.2	9.1
North Carolina	17.1	12.9	(3.4)	12.1
South Carolina	14.2	(19.2)	1.0	5.1 *
Tennessee	NA	5.9	4.8	7.1
Virginia	21.7	12.8 ¶	3.3	7.4
West Virginia	2.8	(6.5)	(2.7)	(1.7)
Southwest	(8.5)	(1.0)	8.8	7.9
Arizona	(11.2) ¶	(1.6)	0.1	(4.7) ¶
New Mexico	ND	ND	ND	ND
Oklahoma	(4.1) ¶	0.7	6.2	(1.0) ¶
Texas	NA	NA	10.8	13.0 ¶
Rocky Mountain	19.0	0.8	8.7	13.2
Colorado	18.2	12.1	6.7	14.7
Idaho	15.6	3.1	27.9	16.4
Montana	13.8	(9.0)	NA	6.7
Utah	24.4 ¶	(8.2) ¶	1.2 ¶	13.1 ¶
Wyoming	NA	NA	5.1 ¶	2.4 ¶
Far West	5.2	0.7	4.1	6.8
Alaska ^C	NA	0.6	NA	117.2
California	5.4	0.7	3.3	4.3
Hawaii	(0.4)	(23.4)	12.6	4.4
Nevada	NA	NA	(1.4)	(1.3)
Oregon	4.8	8.9	NA	4.6
Washington	NA	NA	7.4	7.7

Source: Individual state data, analysis by Rockefeller Institute.
See Key to Tables, page 9.

sales taxes. Among 47 states reporting this quarter, sales tax made up over 50 percent of total revenue in seven states, and 40 percent in 10 states. In states that collect sales tax revenue, the percentage of total tax revenue ranged from 6 percent to 77 percent.

Collections in the April-June 2007 quarter were 3.1 percent above the same quarter in 2006. This is weak compared to the recent historical average (over the past 34 quarters) of 4.7 percent and the second weakest growth (next to the previous quarter) since early 2003.

Sales tax revenue grew fastest in the Southwest and Rocky Mountain regions at 8.8 and 8.7 percent, respectively. Idaho had the highest increase at 27.9 percent, up from 26.3 percent in the first quarter and 22 percent in the fourth quarter of 2006. The only other state with an increase over 20 percent was North Dakota, at 22.1 percent. Among seven states reporting a decline in sales tax revenue, Louisiana showed the highest decline at 15.5 percent.²

Corporate Income Tax

Corporate income tax made up eight percent of total tax revenue in the second quarter of 2007 and nine percent of tax revenue in the 45 states that impose corporate income taxes.

Nominal tax revenue increased 2.5 percent in the April-June quarter, the second weakest in five years. The New England region reported the largest increase at 31.1 percent, due largely to Massachusetts' 75.8 percent increase. However, 20 states showed decreases in corporate tax revenue, with New Hampshire leading with a decline of 34.9 percent. Corporate income tax is an unstable revenue source; many states report sizeable changes from quarter to quarter.

Underlying Reasons for Trends

State revenue changes result from three kinds of underlying forces: differences in the national and state economies, the ways in which these differences affect each state's tax system, and recently legislated tax changes.

Table 4			
Quarterly State Tax Revenue Adjusted for Legislated Tax Changes Year-Over-Year Percent Change			
	PIT	Sales	Total
2007			
April-June	10.7 %	2.6 %	7.2 %
Jan.-Mar.	8.2	2.6	5.8
2006			
Oct.-Dec.	5.3	4.7	5.0
July-Sept.	8.1	4.2	5.5
April-June	15.4	6.5	9.9
Jan.-Mar.	10.9	7.4	6.8
2005			
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
2004			
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
2003			
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)
2002			
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)
2001			
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
2000			
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
1999			
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

Source: Individual state data, NCSL, analysis by Rockefeller Institute.
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).

National and State Economies

National economic growth showed signs of a quicker pace after the first quarter slowdown. Bureau of Economic Analysis (BEA) estimates indicate that real Gross Domestic Product (GDP) grew at an annual rate of 4.0 percent from the preceding period in the second quarter of 2007, compared to

Table 5	
Quarterly Total Tax Revenue, by State Adjusted for Legislation and Inflation April-June, 2006 to 2007, Percent Change	
United States	1.9 %
New England	2.9
Connecticut	5.0
Maine	(1.4)
Massachusetts	4.2
New Hampshire	(5.7)
Rhode Island	ND
Vermont	(4.1)
Mid-Atlantic	0.7
Delaware	0.6
Maryland	4.1
New Jersey	ND
New York	2.9
Pennsylvania	1.2
Great Lakes	1.9
Illinois	1.7
Indiana	(0.7)
Michigan	(5.2)
Ohio	9.8
Wisconsin	1.2
Plains	3.3
Iowa	4.5
Kansas	13.6
Minnesota	(0.6)
Missouri	2.0
Nebraska	0.8
North Dakota	8.4
South Dakota	20.4
Southeast	0.0
Alabama	0.0
Arkansas	2.6
Florida	(9.2)
Georgia	6.7
Kentucky	(4.0)
Louisiana ^A	(5.0)
Mississippi	3.8
North Carolina	6.6
South Carolina	(2.2)
Tennessee	2.1
Virginia	2.3
West Virginia	(6.6)
Southwest	5.9
Arizona	(6.3)
New Mexico	ND
Oklahoma	(2.9)
Texas	10.8
Rocky Mountain	8.3
Colorado	9.2
Idaho	10.6
Montana	1.4
Utah	9.4
Wyoming	1.2
Far West	1.5
Alaska ^C	106.5
California	(0.9)
Hawaii	(0.8)
Nevada	(6.2)
Oregon	(0.6)
Washington	1.5

Source: Individual state data, NCSL, analysis by Rockefeller Institute.
 Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index.
 See Key to Tables, page 9.

Table 6				
Personal Income Tax Withholding, by State				
Last Four Quarters, Percent Change				
	2006		2007	
	<i>Jul.-Sep.</i>	<i>Oct.-Dec.</i>	<i>Jan.-Mar.</i>	<i>Apr.-Jun.</i>
United States	4.0 %	6.1 %	7.1 %	6.2 %
New England	5.8	6.0	6.5	6.4
Connecticut	6.1 ¶	6.1 ¶	7.8 ¶	6.3
Maine	4.0	4.6	2.6	3.7
Massachusetts	5.5	6.2	6.3	6.7
Rhode Island	10.5	5.6	9.9 ¶	ND
Vermont	5.4	4.7	1.3	7.1
Mid-Atlantic	0.4	5.5	11.6	8.4
Delaware	11.8	3.3	(6.4)	0.7
Maryland	(11.2)	5.4	5.9	7.0
New Jersey ^A	(3.1)	10.8	11.4	17.0
New York	3.0 ¶	4.3 ¶	15.6 ¶	8.5 ¶
Pennsylvania	7.9	4.6	4.1	8.1
Great Lakes	3.7	1.9	1.6	3.3
Illinois	8.1	6.4	5.4	7.0
Indiana	4.7	2.1	4.6	5.6
Michigan	1.9	0.4	3.6	3.2
Ohio	0.7 ¶	(4.1) ¶	(3.6) ¶	(4.4) ¶
Wisconsin	3.8	6.1	(0.6)	7.3
Plains	5.2	14.3	4.5	6.4
Iowa	5.1	6.8	3.6 ¶	6.9 ¶
Kansas	8.8	9.7	6.7	14.4
Minnesota	2.6 ¶	4.9 ¶	4.3	4.9
Missouri	6.3	36.2	4.1	5.9
Nebraska	7.5	9.3	4.8 ¶	1.2 ¶
North Dakota	10.7	3.7	9.9	11.5
Southeast	5.6	6.5	7.2	8.3
Alabama	9.7	6.1	4.3 ¶	5.0 ¶
Arkansas	8.9	7.5	3.8	7.9
Georgia	6.3	5.2	17.6	9.4
Kentucky	0.1	5.5	2.2	6.3
Louisiana ^A	7.4	15.9	(5.4)	20.0
Mississippi	11.8	4.2	9.9	7.9
North Carolina	6.1	6.4	9.1	9.1
South Carolina	4.9	6.2	8.8	8.0
Virginia	4.0	5.7	7.6	8.1
West Virginia	0.0	14.2	3.5	6.7
Southwest	3.8	5.6	4.0	(0.2)
Arizona	5.4 ¶	11.4 ¶	18.6 ¶	8.9 ¶
New Mexico	(2.8)	3.1	3.0	ND
Oklahoma	4.5	(0.1)	(1.9) ¶	(7.4) ¶
Rocky Mountain	10.2	6.4	8.3	10.0
Colorado	7.4	5.5	7.5	6.9
Idaho	11.2	9.7	17.7	6.6
Montana	11.9	6.4	9.3	7.5
Utah	14.4 ¶	6.3 ¶	4.9 ¶	17.2 ¶
Far West	4.7	6.7	6.5	4.2
California	4.6	6.6	7.7	4.4
Hawaii	5.5	5.6	(4.2)	9.5
Oregon	5.1	7.8	0.4	1.5

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.

Source: Individual state data, analysis by Rockefeller Institute.

See Key to Tables, page 9.

0.6 percent in the first quarter of 2007 and 2.5 percent in the fourth quarter of 2006.³ Year-over-year growth for the second quarter equaled 1.9 percent. The growth was attributed to increases in federal, state and local government spending, and personal consumption expenditures for services, exports, and non-residential structures, partly offset by a decrease in real imports. Residential fixed investment contributed a smaller decrease of 11.6 percent than the previous quarter's 16.3 percent.⁴

Stock market trends influence state tax revenues in several important ways. In states such as California and New York, financial-market activity has particularly dramatic implications for personal income tax revenue. Fluctuations in corporate profits drive changes both in stock values and in corporate income taxes. Higher stock values also may lead to increases in consumer purchases, and thus sales tax revenue. For the year ending June 30, 2007, the S&P 500 index rose 18.4 percent. Although the index fluctuated during the second quarter of 2007, its increase over the quarter was nearly twice the previous quarter's 9.3 percent.⁵

Productivity, another gauge of economic strength, is measured by the increase in output per labor hour. Thus, it can increase with improved output or reduction in hours worked. Nonfarm business productivity rose 0.9 percent (revised) in the second quarter of 2007 compared to the second quarter of 2006. In comparison, the percent change from the second quarter of 2005 to the second quarter of 2006 was 1.5 percent, and 1.4 percent from the second quarter of 2004 to the second quarter of 2005, indicating slower growth in 2007.⁶

Income growth also provides an important outlook on economic strength. Hourly compensation increased by 5.8 percent year-over-year from the second quarter of 2006 to the second quarter of 2007. Hourly compensation includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Real hourly compensation measures hourly compensation adjusted for changes in consumer prices. From the second quarter of 2006 to the

Table 7	
Estimated Payments/Declarations, by State	
Year-Over-Year (2006-07) Percent Change	
April-June (first two payments of 2007)	
Average (Mean)	9.1 %
Median	10.9
Alabama	9.9
Arizona	(5.1)
Arkansas	17.9
California	8.4
Colorado	26.5
Connecticut	6.1
Delaware	3.9
Georgia	17.4
Hawaii	0.3
Illinois	18.3
Indiana	10.3
Iowa	15.1
Kansas	19.7
Kentucky	38.0
Louisiana ^A	(23.7)
Maine	12.3
Maryland	22.3
Massachusetts	1.6
Michigan	12.1
Minnesota	9.5
Missouri	15.4
Montana	7.1
Nebraska	10.7
New Jersey ^A	18.0
New Mexico ^A	(42.6)
New York	9.2
North Carolina	16.0
North Dakota	11.1
Ohio	7.6
Oklahoma	2.0
Oregon	24.6
Pennsylvania	12.3
Rhode Island ^A	11.4
South Carolina	12.3
Vermont	12.7
Virginia	1.1
West Virginia	(15.7)
Wisconsin	10.4
Source: Individual state data, analysis by Rockefeller Institute. See Key to Tables, page 9.	

second quarter of 2007, real hourly compensation increased by 3.0 percent.⁷

Comparing productivity and hourly compensation shows the change in unit labor costs. Unit labor costs were 4.9 percent higher in the second quarter than a year earlier. In comparison, the year-over-year increase for the second quarter of 2005 to 2006 was 2.2 percent. Unit labor costs

increased 1.4 percent from the first quarter to the second quarter of 2007.⁸

From the second quarter of 2006 to the second quarter of 2007, personal consumption expenditures increased by 2.9 percent, a slower growth rate than previous years. The annual percent change in the second quarter was 3.0 percent in 2006, 3.4 percent in 2005, and 3.7 percent in 2004. Among specific categories of consumption, expenditures on nondurable goods increased the least at 2.5 percent, with durable goods increasing by 5.0 percent and services by 2.8 percent. Gross private domestic investment decreased by 5.7 percent overall in year-over-year change for the second quarter of 2007, with fixed investment falling 3.3 percent and residential investment declining by 16.4 percent.

The general lack of timely state-level indicators presents a challenge to an assessment of state economies. Data on nonfarm employment (not seasonally adjusted), 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 measures such as income, wages, and profits, rather than employment. Unfortunately, state-level data on such 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 growth. Employment in the April-June 2007 quarter showed a 1.3 percent growth rate compared to a year earlier. That increase was down slightly from the first quarter of 2007 growth rate of 1.4 percent and the fourth quarter 2006 growth of 1.6 percent.

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 and second quarter of 2007 and last two quarters of 2006. Figure 3 maps the change in the second quarter 2007 employment compared to the same period in 2006.⁹

Job growth continues to be concentrated in the western states. The Rocky Mountain states showed the highest growth rate at 2.8 percent and the Southwest showed a 2.4 percent growth rate. In total, 26 states grew faster than the nation. Utah led

the nation with strong 4.5 percent growth. South Dakota, Louisiana, Arizona, Idaho, Utah and Wyoming recorded growth of more than double the national rate. In contrast, job growth remains sluggish in the Great Lakes region, where employment was stagnant. This sluggish job growth record was broad-based, with all five of the region's states posting a growth rate of less than the national average. Both Michigan and Ohio lost jobs in the second quarter. None of the states in the New England or Mid-Atlantic regions matched or exceeded the national growth rate, except for New Hampshire. Five of the seven Plains states — Kansas, Minnesota, Nebraska, North Dakota and South Dakota — matched or exceeded the national rate. Eight of twelve states from the Southeast matched or exceeded the national rate. The national unemployment rate remained at 4.5 percent, the same as the previous two quarters.¹⁰

Nature of the Tax System

Even if growth affected all regions and states to exactly the same degree and at exactly the same time, the impact on state revenue would 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

Key to Interpreting Tables

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

* indicates legislation or processing/accounting changes significantly increased tax receipts (by one percentage point or more).

¶ indicates legislation or processing/accounting changes significantly decreased tax receipts.

A Indicates data through April only.

B Indicates data through March only.

C Alaska received a one-time payment of \$805 million in April 2007.

NA indicates not applicable.

ND indicates no data.

NM indicates not meaningful.

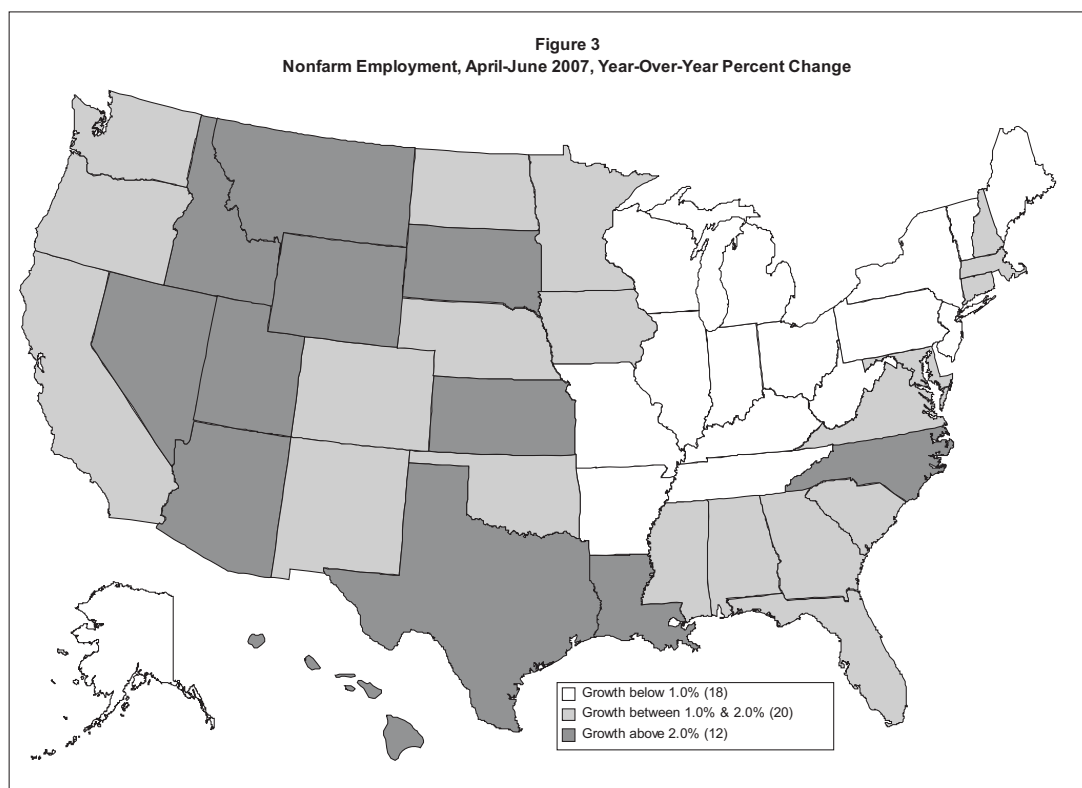
Historical Tables (Tables 1, 2, and 4) have been shortened to provide data only back to 1999. Data through 1991 are available at:

www.rockinst.org/research/sl_finance/2column.aspx?id=828.

Table 8
Nonfarm Employment, by State
Last Four Quarters, Year-Over-Year Percent Change

	2006		2007	
	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
United States	1.5%	1.6%	1.4%	1.3%
New England	0.8%	0.9%	1.1%	1.0%
Connecticut	1.2%	1.1%	1.1%	1.1%
Maine	0.4%	0.4%	0.5%	0.4%
Massachusetts	0.9%	1.0%	1.2%	1.1%
New Hampshire	0.3%	0.3%	0.7%	1.3%
Rhode Island	0.3%	1.0%	1.4%	0.9%
Vermont	0.3%	0.5%	0.4%	0.5%
Mid-Atlantic	0.8%	0.9%	1.0%	0.8%
Delaware	0.6%	0.7%	0.8%	0.8%
Maryland	0.8%	1.0%	0.9%	1.1%
New Jersey	0.7%	0.9%	0.7%	0.4%
New York	0.9%	1.0%	1.2%	1.0%
Pennsylvania	0.7%	0.9%	1.0%	0.8%
Great Lakes	0.1%	0.2%	0.1%	0.0%
Illinois	1.1%	1.2%	1.0%	0.9%
Indiana	0.4%	0.4%	0.2%	0.1%
Michigan	-1.3%	-1.3%	-1.1%	-1.3%
Ohio	0.1%	0.1%	-0.1%	-0.2%
Wisconsin	0.3%	0.4%	0.3%	0.2%
Plains	1.3%	1.4%	1.3%	1.5%
Iowa	1.2%	1.3%	1.3%	1.1%
Kansas	1.8%	2.3%	2.3%	2.4%
Minnesota	1.1%	0.7%	0.7%	1.4%
Missouri	1.0%	1.3%	1.1%	1.0%
Nebraska	1.1%	1.4%	2.0%	1.8%
North Dakota	2.1%	2.9%	2.4%	1.8%
South Dakota	2.2%	2.6%	2.4%	2.6%
Southeast	1.5%	1.9%	1.7%	1.5%
Alabama	1.8%	1.5%	1.7%	1.4%
Arkansas	1.7%	1.4%	0.8%	0.7%
Florida	2.2%	2.0%	1.7%	1.6%
Georgia	1.7%	1.5%	1.4%	1.4%
Kentucky	0.8%	0.8%	0.8%	0.5%
Louisiana	-2.0%	5.3%	4.4%	3.1%
Mississippi	1.3%	2.4%	2.1%	1.6%
North Carolina	2.7%	2.6%	2.4%	2.0%
South Carolina	1.3%	1.7%	1.5%	1.4%
Tennessee	1.4%	1.1%	1.0%	0.8%
Virginia	1.3%	1.3%	1.3%	1.3%
West Virginia	0.8%	1.3%	0.5%	0.5%
Southwest	3.3%	3.2%	2.6%	2.4%
Arizona	5.1%	4.9%	4.1%	3.3%
New Mexico	3.1%	2.8%	2.0%	1.7%
Oklahoma	2.5%	1.9%	1.4%	1.5%
Texas	3.0%	2.9%	2.5%	2.3%
Rocky Mountain	3.3%	3.2%	3.0%	2.8%
Colorado	2.2%	2.1%	2.1%	1.9%
Idaho	4.4%	4.5%	3.6%	2.6%
Montana	2.8%	2.3%	2.3%	2.5%
Utah	4.8%	4.5%	4.5%	4.5%
Wyoming	4.5%	4.4%	4.1%	3.4%
Far West	2.2%	2.0%	1.9%	1.6%
Alaska	1.3%	1.7%	1.6%	0.7%
California	1.8%	1.7%	1.7%	1.5%
Hawaii	2.1%	2.5%	2.3%	2.1%
Nevada	4.1%	3.8%	3.4%	2.2%
Oregon	3.0%	2.2%	1.8%	1.4%
Washington	2.9%	2.6%	2.1%	2.0%

Source: Bureau of Labor Statistics, analysis by Rockefeller Institute.



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 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. In the last recession, we saw the downside of this volatility. Declines in the stock market and other investments pushed personal and corporate income tax collections down much faster than the

economy and created large holes in almost every state's budget.

Sales tax revenue generally fluctuates less rapidly than the personal income or corporate income taxes and does not capture spending on services well. 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. The sales tax generally maintained slow growth in the latest economic downturn, but grew rapidly and remained steady as general economic conditions improved. It has seen relatively low growth in the last two quarters.

Poor market conditions in the housing sector and high gasoline prices likely contributed to the weak growth in corporate income and sales taxes. In many areas, defaults in sub-prime loans have caused an overabundance of unsold homes, saturating the market, lowering demand and housing prices as a result. The market slump has decreased state and local governments' housing-related revenues from

State Sales Tax Revenue Tenuous for Second Consecutive Quarter

Table 9								
Year-to-Date Tax Revenue by Major Tax, by State								
July-June 2005-06 to 2006-07, Percent Change								
	PIT		CIT		Sales		Total	
		%		%		%		%
United States	7.1		10.4		3.6		5.1	
New England	9.1		43.5		2.2		6.0	
Connecticut	10.3		15.2		2.9		6.6	
Maine	7.9		(2.2)		2.8		2.7	
Massachusetts	8.7		78.0		1.6		6.8	
New Hampshire	NA		6.6		NA		3.8	
Rhode Island ^B	8.3		(8.5)		1.6		3.1	
Vermont	7.2		(4.0)		2.6		4.7	
Mid-Atlantic	7.4		12.6		4.0		5.8	
Delaware	0.7		(22.1)		NA		0.9	
Maryland	7.8		(8.7)		2.1		4.6	
New Jersey ^B	6.9		1.8		19.8		5.4	
New York	7.6		27.6		(1.4)		6.8	
Pennsylvania	7.7		8.3		3.1		5.1	
Great Lakes	5.1		6.1		0.2		2.5	
Illinois	8.9		18.9		0.6		6.1	
Indiana	6.8		6.7		2.9		4.7	
Michigan	3.0		(7.6)		(2.7)		(1.3)	
Ohio	1.1		2.0		0.8		(0.5)	
Wisconsin	5.7		16.0		1.2		4.6	
Plains	7.6		10.5		2.4		5.1	
Iowa	8.1		21.7		1.5		6.6	
Kansas	14.3		26.3		2.3		11.4	
Minnesota	5.5		10.6		0.8		2.6	
Missouri	7.0		4.8		2.8		5.1	
Nebraska	6.8		(18.8)		3.2		1.7	
North Dakota	13.9		18.9		13.2		11.8	
South Dakota	NA		NA		6.5		7.6	
Southeast	10.3		9.6		2.7		5.2	
Alabama	9.2		6.7		4.7		5.9	
Arkansas	7.6		3.3		4.5		5.7	
Florida	NA		1.6		0.4		(2.4)	
Georgia	9.4		14.2		3.6		7.7	
Kentucky	4.2		(1.4)		2.7		2.4	
Louisiana ^A	22.9		40.8		3.9		15.1	
Mississippi	20.2		17.3		3.3		8.6	
North Carolina	11.8		19.8		2.1		9.6	
South Carolina	11.8		5.1		5.0		7.7	
Tennessee	NA		20.7		4.8		7.2	
Virginia	9.1		2.1		7.1		4.4	
West Virginia	5.1		6.0		0.3		2.9	
Southwest	0.3		23.7		9.6		7.2	
Arizona	1.6		12.8		5.6		4.5	
New Mexico ^B	0.4		11.4		10.2		3.1	
Oklahoma	(1.6)		64.3		6.2		4.4	
Texas	NA		NA		10.7		8.6	
Rocky Mountain	12.5		7.5		7.7		9.6	
Colorado	12.6		4.6		5.4		9.6	
Idaho	15.0		(5.1)		19.2		13.6	
Montana	7.6		15.5		NA		7.1	
Utah	12.7		14.2		2.6		8.6	
Wyoming	NA		NA		12.7		3.9	
Far West	4.6		2.5		3.3		4.5	
Alaska ^C	NA		50.5		NA		41.9	
California	4.9		2.8		1.9		3.4	
Hawaii	0.6		(37.1)		8.5		3.4	
Nevada	NA		NA		1.5		1.3	
Oregon	3.3		(7.4)		NA		2.3	
Washington	NA		NA		7.8		7.9	

Source: Individual state data, analysis by Rockefeller Institute. See Key to Tables, page 9.

building-permit and recording fees, real property transfer taxes and sales taxes. Analysts attribute the decrease in sales taxes to builders buying fewer construction materials, and homeowners withdrawing less equity for remodeling and home furnishings. Many homeowners have struggled to pay mortgages and have cut back their spending on other items.¹¹ Personal consumption expenditures for durable goods rose 5.2 percent from the first quarter of 2007 to the second quarter of 2007, after increasing 25.6 percent from the fourth quarter of 2006 to the first quarter of 2007. Year-over-year growth from the second quarter of 2006 to the second quarter of 2007 was 5.0 percent. In the second quarter of 2007, expenditures on motor vehicles and parts decreased 3.2 percent from the previous quarter, and expenditures on nondurable goods decreased 2.1 percent. Expenditures on gasoline, fuel oil and other energy goods declined by 1.3 percent in the April-June quarter of 2007 compared to a year earlier. Residential investment declined 16.4 percent during that period and decreased by 15.3 percent from the first quarter of 2007 to the second quarter of 2007.¹²

In the Beige Books published on June 13, 2007 and July 25, 2007, the Federal Reserve Board (FRB) reported that most districts characterized their housing markets as soft or weak, and that residential construction and real estate activity generally continued to decline. Decreased activity in the housing market may be associated with fewer purchases of new household items, which can be seen by the Beige Book's account of many districts reporting a weak demand for home goods. Districts reported no improvement in vehicle sales, another key contributor to sales tax revenues. Spending on tourism and travel remained sound. Retail sales kept pace as well.¹³

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 2007 quarter, enacted tax changes and processing variations decreased state revenue by an estimated net of \$1.95 billion compared to the same period in 2006.¹⁴

Personal income tax reductions totaled \$1.5 billion, compared to the total reduction for states in the first quarter of 2007 of \$816 million. New York had \$867 million of the total personal income tax reduction, while Ohio accounted for \$450 million. Among all states, legislated changes increased sales tax revenue in the second quarter of 2007 by a net \$258 million compared to a \$110 million increase in the first quarter of 2007. New Jersey reported the largest sales tax increase for the third consecutive quarter, totaling \$433 million in the second quarter of 2007, after posting a \$435 million net gain the first quarter of 2007, and \$485 million in the fourth quarter of 2006. New York showed the largest reduction at \$51 million. Corporate income tax reductions totaled \$358 million, with Ohio accounting for a net decrease of \$205 million.¹⁵

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.

Conclusions

Total revenue growth continued to increase in the April-June quarter of 2007, in both nominal and real terms. Despite strong personal income tax revenue growth, sales tax continued to lag and corporate income tax showed one of its weakest performances in five years. Although personal income tax performance was stronger in the first and second quarter of 2007 compared to growth in the fourth quarter of 2006, the second quarter personal income tax revenue increased by over 15 percent in 2004, 2005, and 2006. Corporate income tax has historically expanded and diminished, depending on timely receipts and compliance, but rarely increases at such a low rate. Growth in sales tax was historically low for the second consecutive quarter, and matched rates last seen as the nation was emerging from the last recession.

In the “State Budget and Tax Actions 2007: Preliminary Report,” the National Conference of State Legislatures indicated that year-end balances for states have transitioned to a downward trend from a peak fiscal performance in FY 2006 to slightly weaker in FY 2007, which states expect to weaken again in FY 2008. For FY 2007, 28 states had a decline in year-end balances over FY 2006, while 17 states increased. States have increased their rainy day fund contributions. State officials originally had concerns about personal income tax collections, but those concerns have shifted to sales tax revenue and the housing market slump.¹⁶

State tax collection strength was in line with the national economy, as the GDP and other economic indicators exhibited moderate expansion, as did the personal income tax and total income tax revenues. The S&P 500 did well also, mirroring the final payments and personal income tax collections. However, personal consumption expenditures showed weaker growth rates, as did state sales tax revenue. Corporate profits from the nonfinancial sector exhibited a 1.4 percent decline in year-over-year growth in the second quarter, an apparent factor in the low rate of increase for corporate income tax collections.¹⁷ Revenue growth has fluctuated

greatly in the past few quarters, with personal income tax weakening in the fourth quarter of 2006, sales tax weakening in the first and second quarters of 2007, and corporate income tax weakening in the second quarter. The third quarter of 2007 will have only one estimated payment due, which could prove to limit personal income tax growth. As the third quarter reached a midpoint, economists were forecasting the increasing likelihood of a recession.¹⁸ Such predictions may foreshadow softening of state tax revenues in the months ahead.

Endnotes

- 1 Internal Revenue Service data.
- 2 Louisiana data are only reported through April.
- 3 Preliminary, revised, GDP percent change based on chained 2000 dollars, seasonally adjusted annual rates.
- 4 Bureau of Economic Analysis data.
- 5 Standard & Poor’s 500 Index.
- 6 Bureau of Labor Statistics data, preliminary.
- 7 Bureau of Economic Analysis data.
- 8 Bureau of Economic Analysis data.
- 9 Bureau of Labor Statistics data.
- 10 Bureau of Labor Statistics data.
- 11 Merrick, Amy. “Housing Slump Strains Budgets of States, Cities.” *The Wall Street Journal*. September 5, 2007.
- 12 Bureau of Economic Analysis data.
- 13 Federal Reserve Board, *The Beige Book*, April 25, 2007.
- 14 National Conference of State Legislatures data.
- 15 National Conference of State Legislatures data.
- 16 Corina Eckl and Ron Snell. “State Budget and Tax Actions 2007: Preliminary Report.” National Conference of State Legislatures. August, 2007.
- 17 Bureau of Economic Analysis data.
- 18 Reddy, Sudeep. “Likelihood of a Recession is Given Better Odds.” *The Wall Street Journal*. September 13, 2007.

Table 10
State Tax Revenue, April-June, 2006 and 2007 (\$ in millions)

	2006				2007			
	Personal	Corporate	Sales	Total	Personal	Corporate	Sales	Total
	Income	Income			Income	Income		
United States	78,761	14,830	53,882	176,795	85,647	15,201	55,543	187,615
New England	6,639	846	2,591	13,051	7,496	1,109	2,699	14,093
Connecticut	2,332	230	1,183	4,552	2,636	274	1,272	4,996
Maine	524	66	329	1,187	574	77	333	1,232
Massachusetts	3,587	357	1,005	5,625	4,062	627	1,015	6,165
New Hampshire	NA	166	NA	486	NA	108	NA	483
Rhode Island	ND	ND	ND	ND	ND	ND	ND	ND
Vermont	196	28	75	1,201	224	24	79	1,217
Mid-Atlantic	15,225	2,114	5,519	26,654	16,065	1,992	5,714	27,688
Delaware	317	75	NA	770	308	57	NA	813
Maryland	2,071	254	845	3,454	2,367	262	860	3,773
New Jersey	ND	ND	ND	ND	ND	ND	ND	ND
New York	9,669	876	2,526	14,928	9,882	781	2,627	15,174
Pennsylvania	3,167	910	2,148	7,503	3,508	893	2,228	7,928
Great Lakes	11,013	2,308	7,996	24,340	11,952	2,458	8,057	25,484
Illinois	3,122	693	1,832	6,553	3,435	853	1,768	7,021
Indiana	1,468	478	1,323	3,744	1,610	474	1,377	3,973
Michigan	1,783	603	2,016	4,756	1,871	561	1,963	4,736
Ohio	2,889	324	1,817	5,792	3,084	371	1,908	6,036
Wisconsin	1,751	211	1,007	3,494	1,951	200	1,042	3,718
Plains	6,095	864	3,626	12,366	6,754	913	3,731	13,347
Iowa	867	147	469	1,602	984	151	489	1,751
Kansas	871	162	506	1,676	1,031	189	511	1,998
Minnesota	1,901	218	1,382	4,306	2,062	207	1,402	4,486
Missouri	1,810	204	711	3,228	1,985	246	721	3,463
Nebraska	527	79	317	997	552	63	327	1,022
North Dakota	121	54	105	369	139	58	128	420
South Dakota	NA	NA	137	189	NA	NA	152	208
Southeast	12,927	3,616	14,891	38,764	14,988	3,621	14,897	40,636
Alabama	1,034	196	567	2,351	1,145	173	585	2,454
Arkansas	772	117	546	1,515	850	140	564	1,635
Florida	NA	851	5,126	7,615	NA	793	4,961	7,163
Georgia	2,382	305	1,468	4,557	2,725	408	1,548	5,104
Kentucky	813	479	804	2,575	910	349	829	2,569
Louisiana ^A	214	132	267	899	255	127	225	893
Mississippi	477	128	895	1,883	607	136	897	2,053
North Carolina	3,087	421	1,308	5,736	3,615	475	1,263	6,432
South Carolina	974	118	926	2,242	1,112	95	935	2,357
Tennessee	NA	449	1,650	3,178	NA	475	1,730	3,404
Virginia	2,679	283	1,033	5,052	3,260	319	1,067	5,428
West Virginia	495	140	301	1,163	509	131	292	1,144
Southwest	2,214	506	7,028	15,503	2,025	500	7,643	16,729
Arizona	1,380	364	1,131	3,035	1,225	358	1,132	2,894
New Mexico	ND	ND	ND	ND	ND	ND	ND	ND
Oklahoma	835	141	459	1,797	800	142	487	1,779
Texas	NA	NA	5,438	10,672	NA	NA	6,024	12,057
Rocky Mountain	3,095	552	1,376	5,776	3,684	556	1,496	6,538
Colorado	1,494	202	528	2,248	1,765	226	563	2,579
Idaho	492	82	263	995	569	84	337	1,158
Montana	290	78	NA	738	330	71	NA	788
Utah	819	191	482	1,637	1,020	175	488	1,851
Wyoming	NA	NA	103	158	NA	NA	108	162
Far West	21,554	4,024	10,857	40,341	22,683	4,051	11,307	43,101
Alaska ^C	NA	58	NA	847	NA	59	NA	1,839
California	19,288	3,747	7,608	31,411	20,333	3,772	7,860	32,757
Hawaii	490	55	588	1,241	489	42	662	1,296
Nevada	NA	NA	818	1,063	NA	NA	806	1,048
Oregon	1,775	164	NA	2,044	1,861	178	NA	2,137
Washington	NA	NA	1,843	3,736	NA	NA	1,979	4,022

Source: Individual state data, analysis by Rockefeller Institute. See Key to Tables, page 9.

State Sales Tax Revenue Tenuous for Second Consecutive Quarter

**Table 11
State Tax Revenue, July-June, FY 2006 and 2007 (\$ in millions)**

	FY 2006				FY 2007			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	242,559	43,674	211,799	600,051	259,684	48,226	219,478	630,858
New England	18,537	2,732	9,360	38,851	20,223	3,920	9,566	41,182
Connecticut	5,584	646	3,386	11,748	6,159	744	3,483	12,529
Maine	1,255	188	993	3,139	1,354	184	1,021	3,223
Massachusetts	10,483	1,391	4,004	18,487	11,400	2,476	4,067	19,736
New Hampshire	NA	320	NA	1,624	NA	341	NA	1,686
Rhode Island ^b	673	112	652	1,681	729	102	662	1,733
Vermont	542	76	325	2,172	581	73	334	2,275
Mid-Atlantic	55,074	8,232	26,202	107,511	59,176	9,268	27,244	113,781
Delaware	1,015	163	NA	2,389	1,022	127	NA	2,411
Maryland	5,997	856	3,028	10,656	6,463	782	3,091	11,151
New Jersey ^b	6,207	1,546	4,396	14,910	6,636	1,575	5,268	15,713
New York	32,330	3,365	10,443	52,960	34,793	4,292	10,295	56,568
Pennsylvania	9,524	2,302	8,334	26,596	10,262	2,492	8,591	27,939
Great Lakes	34,615	6,487	31,551	84,926	36,377	6,884	31,627	87,024
Illinois	9,568	1,784	7,126	21,807	10,424	2,121	7,169	23,134
Indiana	4,322	925	5,226	12,061	4,616	987	5,379	12,626
Michigan	6,171	1,945	8,078	19,529	6,354	1,797	7,858	19,280
Ohio	8,786	1,055	7,368	19,563	8,885	1,077	7,424	19,469
Wisconsin	5,768	778	3,753	11,966	6,098	903	3,796	12,515
Plains	19,321	2,685	13,677	41,726	20,790	2,967	14,006	43,866
Iowa	2,854	349	1,881	5,427	3,086	424	1,910	5,785
Kansas	2,371	350	2,005	5,200	2,709	442	2,052	5,795
Minnesota	6,875	1,062	4,716	15,095	7,250	1,174	4,755	15,480
Missouri	5,361	529	2,800	10,629	5,737	554	2,879	11,169
Nebraska	1,545	262	1,264	3,352	1,651	213	1,304	3,408
North Dakota	314	133	434	1,233	357	159	491	1,379
South Dakota	NA	NA	577	789	NA	NA	615	849
Southeast	42,387	9,704	56,806	133,732	46,769	10,631	58,366	140,673
Alabama	3,161	499	2,181	8,130	3,452	532	2,284	8,611
Arkansas	2,357	380	2,136	5,181	2,537	392	2,232	5,476
Florida	NA	2,405	19,367	26,775	NA	2,444	19,435	26,127
Georgia	8,041	891	5,745	16,261	8,799	1,017	5,950	17,513
Kentucky	2,919	1,002	3,145	9,199	3,042	988	3,229	9,420
Louisiana ^a	1,875	380	2,237	5,971	2,304	535	2,323	6,874
Mississippi	1,255	412	3,036	6,089	1,508	483	3,137	6,609
North Carolina	9,400	1,302	4,894	19,133	10,508	1,561	4,996	20,974
South Carolina	2,996	286	2,505	6,466	3,348	301	2,631	6,964
Tennessee	NA	928	6,482	10,297	NA	1,120	6,793	11,042
Virginia	9,039	872	3,918	16,468	9,857	890	4,195	17,191
West Virginia	1,345	348	1,158	3,765	1,414	368	1,162	3,872
Southwest	7,165	1,478	28,221	54,909	7,185	1,828	30,942	58,847
Arizona	3,689	874	4,273	9,315	3,747	986	4,513	9,737
New Mexico ^b	866	283	1,273	3,107	869	315	1,402	3,205
Oklahoma	2,610	321	1,762	5,934	2,569	527	1,872	6,197
Texas	NA	NA	20,912	36,553	NA	NA	23,156	39,709
Rocky Mountain	8,537	1,190	5,339	17,348	9,607	1,279	5,751	19,007
Colorado	4,259	458	2,105	6,924	4,796	479	2,219	7,591
Idaho	1,223	198	1,064	3,030	1,407	188	1,268	3,442
Montana	769	154	NA	1,706	827	178	NA	1,827
Utah	2,287	380	1,806	5,068	2,577	434	1,854	5,503
Wyoming	NA	NA	364	620	NA	NA	410	645
Far West	56,923	11,166	40,643	121,048	59,556	11,449	41,975	126,477
Alaska ^c	NA	133	NA	2,318	NA	200	NA	3,290
California	49,956	10,465	27,806	90,994	52,400	10,761	28,321	94,081
Hawaii	1,551	130	2,355	4,435	1,560	82	2,556	4,587
Nevada	NA	NA	3,164	4,091	NA	NA	3,213	4,145
Oregon	5,417	438	NA	6,245	5,596	406	NA	6,387
Washington	NA	NA	7,318	12,965	NA	NA	7,886	13,987

Source: Individual state data, analysis by Rockefeller Institute. See Key to Tables, page 9.

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.

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