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Steady Growth for State Tax Revenues; Long Road to Fiscal Recovery

Preliminary Figures Show Continued Growth for the First Quarter of 2015

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HIGHLIGHTS

- State tax revenues grew by 5.7 percent in the fourth quarter of 2014.
- All regions reported growth with the Far West region showing the strongest growth at 10.3 percent and the Great Lakes region showing the weakest growth at 2.2 percent in the fourth quarter of 2014.
- All major sources of tax revenues showed solid growth in the fourth quarter of 2014: personal income tax collections reported growth at 8.7 percent, corporate income taxes at 9.7 percent, and sales taxes at 7.4 percent.
- Overall state tax collections for the first two quarters of fiscal year 2015 grew by 4.9 percent compared to the same period of fiscal year 2014.
- At the end of FY 2014, inflation-adjusted total tax revenues surpassed the peak levels reported in FY 2008 by 1.4 percent. However, tax collections were still below peak levels in twenty-seven states.
- Preliminary figures for the first quarter of 2015 indicate continued growth in overall state tax collections. Furthermore, early information on personal income tax collections for April suggest that revenue from tax returns is up considerably over last year, reflecting the strong stock market in 2014.
- Local property tax revenues grew by 4.4 percent in the fourth quarter.

Total State Taxes and Local Taxes

Growth in total state tax collections has fluctuated significantly in the last two years. Total state tax collections were rather weak in the first half of calendar year 2014 but resumed growth in the second half of 2014. The large fluctuations in state tax collections have mostly been attributable to taxpayers' responses to policy changes at the federal level, as discussed in previous *State Revenue Reports*. We expect that tax revenue collections will show steadier growth in the coming quarters due to the disappearing impact of the federal fiscal cliff. Early figures for the first quarter of 2015 indicate continued growth in overall state tax collections as well as in major tax sources.

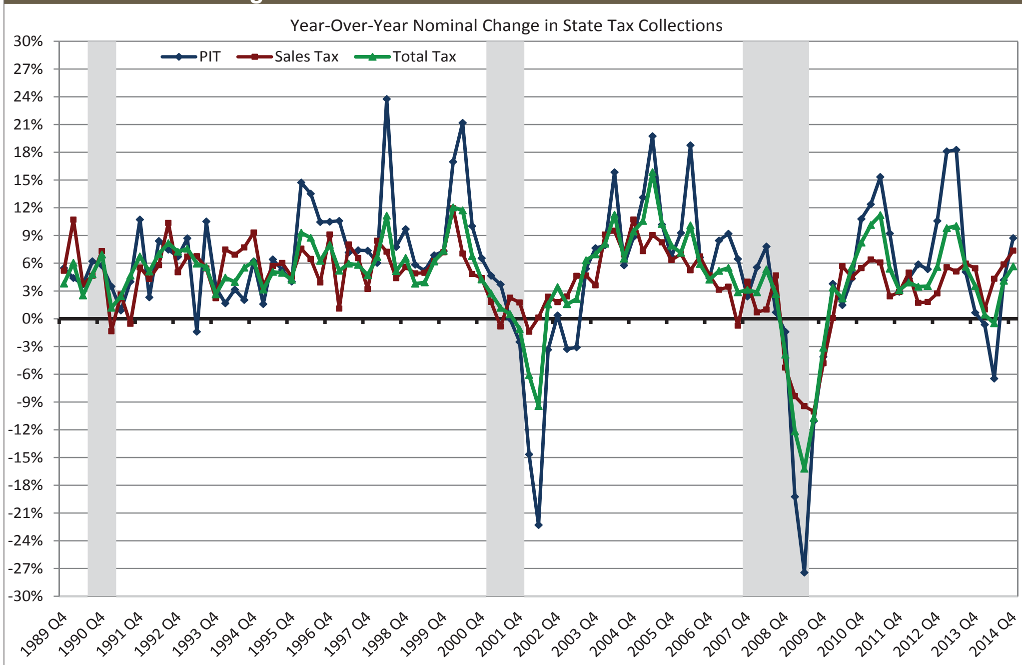
The Institute's analysis of data it has collected indicates slightly stronger fiscal conditions for states than the preliminary data released in March 2015 by the Census Bureau. We have adjusted Census figures to reflect data we have since obtained and to reflect differences in how we measure revenue for purposes of the *State Revenue Report*. (See "Adjustments to Census Bureau Tax Collection Data" on page 22.[1])

Figure 1 shows the nominal percent change over time in state tax collections for personal income tax, sales tax, and total taxes. Declines in personal income tax, sales tax, and total state tax collections were steeper during and after the Great Recession that began in December 2007 than in periods surrounding the previous two recessions. The graph also shows rapid income tax growth in the last quarter of 2012 and first half of 2013. Much of that strong growth appears to have been attributable to the behavioral responses of the highest income taxpayers. Many high income taxpayers sought to avoid scheduled increases in federal income tax rates for 2013 and "accelerated" capital gains realizations and some other income into 2012.[2]

Growth in total state tax collections and personal income tax collections weakened significantly in the second half of 2013 and first half of 2014. Moreover, personal income tax collections declined in the first half of 2014. Tax collections resumed growth in the second half of 2014.

Sales tax revenue growth was more stable throughout 2013, with an average growth rate of 5.5 percent. The sales tax softened

Figure 1. Continued Growth in State Tax Collections



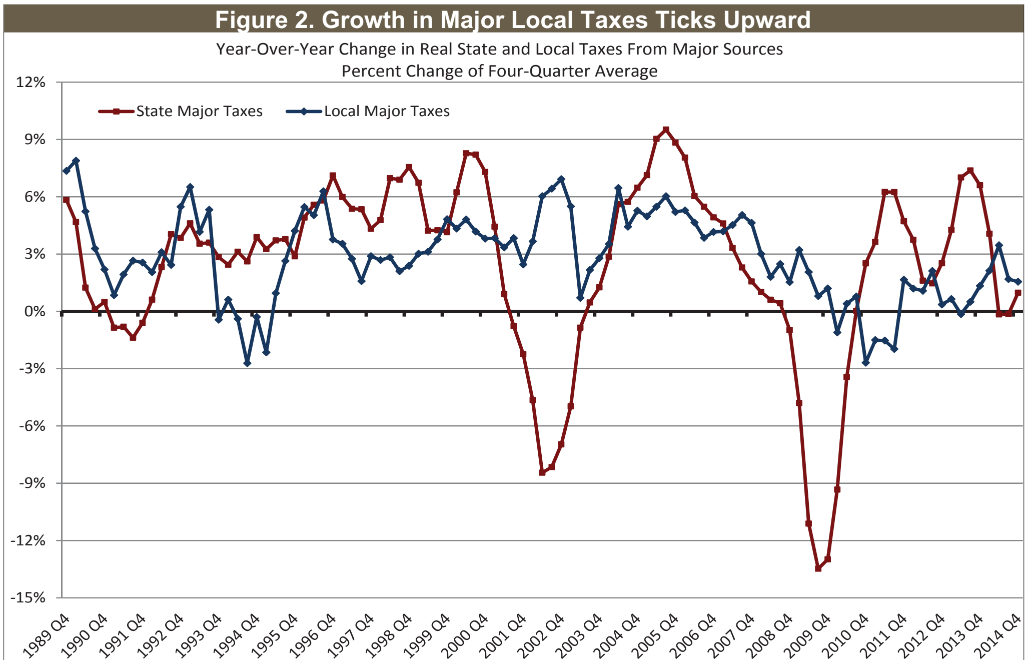
Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue.
Notes: Data for the most recent quarter reflect adjustments by the Rockefeller Institute to include information released after initial publication.

considerably in the first quarter of 2014, rising by only 1.0 percent, but grew more rapidly in the rest of 2014.

Total state tax collections in the fourth quarter of 2014 were above the previous peak levels in most states, in nominal terms. Adjusted for inflation, nationwide tax receipts were 8.1 percent higher in the fourth quarter of 2014 than in the same quarter of 2007, the first quarter of the Great Recession. Inflation adjusted personal income tax receipts were 17.5 percent higher, while sales tax receipts were only 2.6 percent higher.

Figure 2 shows the year-over-year percentage change in the four-quarter moving average of inflation adjusted state tax and local tax collections from major sources such as personal income, corporate income, sales, and property taxes. Beginning with the third quarter of 2013, the Census Bureau redesigned the local nonproperty tax survey instrument and now collects data only from the four largest tax categories: property, sales, personal income, and corporate income taxes. Therefore, Figure 2 is based on tax collections from those four major tax categories only and excludes revenue collections from smaller taxes, such as motor fuel sales taxes, tobacco product, and alcoholic beverage sales taxes among other

Figure 2. Growth in Major Local Taxes Ticks Upward



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) Data are for major taxes only, including sales tax, personal income tax, corporate income tax, and property tax. (3) No adjustments for legislative changes.

smaller sources of taxes. For comparative purposes, we have excluded smaller taxes from the total state government taxes as well. Overall, the excluded taxes represent around one quarter of total state government tax collections and less than ten percent of total local government tax collections. In addition, we have adjusted the Census Bureau's historical local property tax revenues to achieve greater comparability between the Census Bureau's prior survey methodology and a revised survey methodology in use since the fourth quarter of 2008.[3] As shown in Figure 2, state major taxes, adjusted for inflation, grew by 1.0 percent in the last four quarters relative to the year-earlier period. This is significantly weaker than the growth rates reported throughout 2013. However, the substantially strong growth in 2013 and subsequent softening and declines in 2014 were mostly attributable to the impact of the federal fiscal cliff. State tax revenues will likely show stronger growth in the coming quarters.

The inflation adjusted four-quarter moving average of local taxes grew by 1.6 percent on a year-over-year basis, which is a substantial softening compared to growth rates in the first half of 2014. The softening in local tax revenues was largely attributable to declines in local sales tax collections. Inflation over the year, as measured by the gross domestic product price index, was 1.2 percent.

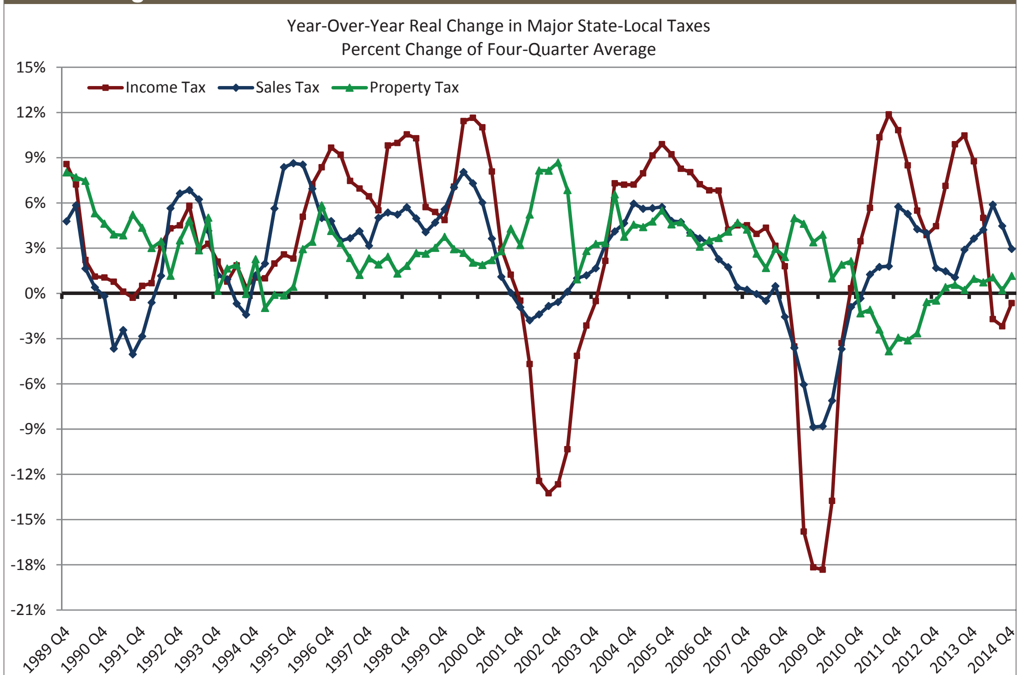
Local tax collections from major sources have been relatively weak by historical standards over the last five years due in part to the lagged impact of falling housing prices on property tax collections. The 1.6 percent growth in local major tax collections for the four quarters ending in December 2014 was weak compared to historical averages. The largest year-over-year growth in the last decade was 6.5 percent, in the second quarter of 2004.

Most local governments rely heavily on property taxes, which tend to be relatively stable and respond to property value declines more slowly than income, sales, and corporate taxes respond to declines in the overall economy. Over the last two decades, property taxes have consistently made up at least two-thirds of total local tax collections. Local property tax revenues grew by 4.4 percent in nominal terms in the fourth quarter of 2014 compared to the same quarter of 2013.

Local sales tax collections, the second largest contributor to overall local tax revenues, declined significantly by $4.5 billion, or 21.6 percent, in the fourth quarter of 2014 in nominal terms. Collections from local individual income taxes, a much smaller contributor to overall local revenues, grew by 3.5 percent and collections from corporate income taxes grew by 30.2 percent.

Figure 3 shows the year-over-year percent change in the four-quarter moving average of inflation-adjusted state and local income, sales, and property taxes. Both the income tax and the sales tax showed slower growth, and then outright decline, from 2006 through most of 2009. By this measure, which reflects the prior three quarters as well as the current quarter, the income tax

Figure 3. Personal Income Taxes Show Declines in the Fourth Quarter



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) Four-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.

declined by 0.6 percent in the fourth quarter of 2014. This was the third consecutive quarter decline and was mostly attributable to the temporary impact of the fiscal cliff. State-local sales tax collections grew by 3.0 percent in the fourth quarter of 2014. The four-quarter average of state-local property taxes grew by 1.2 percent, marking the eighth consecutive quarter of growth.

State Tax Revenue

Total state tax revenue grew by 5.7 percent in the fourth quarter of 2014 relative to a year ago, before adjustments for inflation and legislated changes (such as changes in tax rates). Growth was reported in all major sources of state tax revenues as well. The individual income and corporate income tax collections grew by 8.7 and 9.7 percent, respectively, while the sales tax collections grew by 7.4 percent. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Forty-five states reported growth in total tax revenue during the fourth quarter of 2014, with eight states reporting double-digit growth (see Tables 7 and 8 on pages 16-17). All regions reported growth in overall state tax collections. The Far West region showed the strongest growth at 10.3 percent each and the Great Lakes region showed the weakest growth at 2.2 percent in the fourth quarter of 2014.

Preliminary figures collected by the Rockefeller Institute for the January-March quarter of 2015 indicate that all major sources of tax revenues continued showing growth.[4] Total tax collections in forty-seven early reporting states grew 5.4 percent in the first quarter of 2015, while individual income and sales tax collections grew by 5.6 and 5.7 percent, respectively.

Personal Income Tax

In the fourth quarter of 2014, personal income tax revenue made up at least a third of total tax revenue in twenty-six states, and was larger than the sales tax in twenty-seven states. Personal income tax revenues grew by 8.7 percent in the fourth quarter of 2014 compared to the same period in 2013. Personal income tax

Table 1. Quarterly State Tax Revenue

Year-Over-Year Percent Change

Quarter	Total Nominal Change	Inflation Rate	Adjusted Real Change
2014 Q4	5.7	1.2	4.4
2014 Q3	4.1	1.6	2.5
2014 Q2	(0.5)	1.7	(2.1)
2014 Q1	0.4	1.4	(1.0)
2013 Q4	3.5	1.4	2.1
2013 Q3	5.6	1.4	4.2
2013 Q2	10.0	1.5	8.4
2013 Q1	9.8	1.6	8.0
2012 Q4	5.6	1.8	3.7
2012 Q3	3.5	1.6	1.9
2012 Q2	3.5	1.7	1.7
2012 Q1	3.9	2.0	1.9
2011 Q4	3.1	1.9	1.1
2011 Q3	5.4	2.3	3.0
2011 Q2	11.2	2.2	8.8
2011 Q1	10.1	1.9	8.1
2010 Q4	8.2	1.8	6.3
2010 Q3	5.6	1.6	3.9
2010 Q2	2.2	1.1	1.1
2010 Q1	3.4	0.5	2.9
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(10.7)	0.3	(11.0)
2009 Q2	(16.2)	1.0	(17.0)
2009 Q1	(12.2)	1.6	(13.5)
2008 Q4	(3.9)	1.9	(5.7)
2008 Q3	2.7	2.1	0.5
2008 Q2	5.3	1.8	3.5
2008 Q1	2.9	1.9	0.9
2007 Q4	3.1	2.5	0.6
2007 Q3	2.9	2.4	0.5
2007 Q2	5.5	2.8	2.7
2007 Q1	5.2	3.0	2.1
2006 Q4	4.2	2.7	1.5
2006 Q3	5.9	3.1	2.7
2006 Q2	10.1	3.3	6.6
2006 Q1	7.1	3.2	3.8
2005 Q4	7.9	3.4	4.4
2005 Q3	10.2	3.3	6.7
2005 Q2	15.9	3.0	12.4
2005 Q1	10.6	3.2	7.2
2004 Q4	9.4	3.1	6.2
2004 Q3	6.5	2.9	3.5
2004 Q2	11.2	2.8	8.3
2004 Q1	8.1	2.2	5.7
2003 Q4	7.0	2.0	4.9
2003 Q3	6.3	2.0	4.2
2003 Q2	2.1	1.9	0.2
2003 Q1	1.6	2.0	(0.4)
2002 Q4	3.4	1.7	1.7
2002 Q3	1.6	1.5	0.1
2002 Q2	(9.4)	1.4	(10.6)
2002 Q1	(6.1)	1.6	(7.6)
2001 Q4	(1.1)	2.0	(3.0)
2001 Q3	0.5	2.2	(1.7)
2001 Q2	1.2	2.5	(1.3)
2001 Q1	2.7	2.4	0.3

Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).

Table 2. Quarterly State Tax Revenue By Major Tax

Year-Over-Year Percent Change

Quarter	PIT	CIT	General Sales	Total
2014 Q4	8.7	9.7	7.4	5.7
2014 Q3	4.2	7.4	5.9	4.1
2014 Q2	(6.5)	(1.6)	4.3	(0.5)
2014 Q1	(0.6)	8.3	1.0	0.4
2013 Q4	0.7	2.7	5.5	3.5
2013 Q3	5.1	1.5	6.0	5.6
2013 Q2	18.3	10.5	5.1	10.0
2013 Q1	18.1	9.4	5.6	9.8
2012 Q4	10.6	3.0	2.7	5.6
2012 Q3	5.4	8.4	1.8	3.5
2012 Q2	5.9	(3.1)	1.7	3.5
2012 Q1	4.3	4.0	5.0	3.9
2011 Q4	2.9	(3.3)	2.9	3.1
2011 Q3	9.2	0.9	2.4	5.4
2011 Q2	15.3	18.2	6.1	11.2
2011 Q1	12.4	3.7	6.4	10.1
2010 Q4	10.8	12.1	5.5	8.2
2010 Q3	4.3	1.4	4.5	5.6
2010 Q2	1.5	(18.9)	5.7	2.2
2010 Q1	3.8	0.3	0.1	3.4
2009 Q4	(4.1)	0.7	(4.8)	(3.1)
2009 Q3	(11.1)	(21.4)	(10.0)	(10.7)
2009 Q2	(27.4)	3.0	(9.4)	(16.2)
2009 Q1	(19.2)	(20.2)	(8.4)	(12.2)
2008 Q4	(1.4)	(23.0)	(5.3)	(3.9)
2008 Q3	0.7	(13.2)	4.7	2.7
2008 Q2	7.8	(7.0)	1.0	5.3
2008 Q1	5.6	(1.4)	0.7	2.9
2007 Q4	2.4	(14.5)	4.0	3.1
2007 Q3	6.5	(4.3)	(0.7)	2.9
2007 Q2	9.2	1.7	3.5	5.5
2007 Q1	8.5	14.8	3.1	5.2
2006 Q4	4.4	12.6	4.7	4.2
2006 Q3	6.6	17.5	6.7	5.9
2006 Q2	18.8	1.2	5.2	10.1
2006 Q1	9.3	9.6	7.0	7.1
2005 Q4	6.7	33.4	6.4	7.9
2005 Q3	10.2	24.4	8.3	10.2
2005 Q2	19.7	64.1	9.1	15.9
2005 Q1	13.1	29.8	7.3	10.6
2004 Q4	8.8	23.9	10.7	9.4
2004 Q3	5.8	25.2	7.0	6.5
2004 Q2	15.8	3.9	9.5	11.2
2004 Q1	7.9	5.4	9.1	8.1
2003 Q4	7.6	12.5	3.6	7.0
2003 Q3	5.4	12.6	4.7	6.3
2003 Q2	(3.1)	5.1	4.6	2.1
2003 Q1	(3.3)	8.3	2.4	1.6
2002 Q4	0.4	34.7	1.8	3.4
2002 Q3	(3.4)	7.4	2.4	1.6
2002 Q2	(22.3)	(12.3)	0.1	(9.4)
2002 Q1	(14.7)	(15.7)	(1.4)	(6.1)
2001 Q4	(2.5)	(34.0)	1.8	(1.1)
2001 Q3	(0.0)	(27.2)	2.3	0.5
2001 Q2	3.7	(11.0)	(0.8)	1.2
2001 Q1	4.6	(8.4)	1.8	2.7

Source: U.S. Census Bureau (tax revenue).

collections were 30.4 percent higher than in the fourth quarter of 2007, the recessionary peak for fourth quarter income tax revenue. Inflation-adjusted personal income tax collections were 17.5 percent above the fourth quarter of 2007.

The resumed growth in personal income tax collections is attributable to the disappearing impact of the federal fiscal cliff as well as to the overall strong stock market observed throughout 2014.

Calendar year 2014 ended up being a strong year for the stock market, gaining 17.5 percent as measured by the S&P 500 Index.[5]

All regions reported growth in personal income tax collections in the fourth quarter of 2014, with the Far West and Mid-Atlantic regions showing the largest growth at 16.4 and 11.5 percent, respectively. The Great Lakes region had the softest growth in personal income tax collections at 1.6 percent.

Overall, thirty-eight states reported growth in personal income tax collections for the quarter with thirteen states reporting double-digit growth. The following five states reported declines in personal income tax collections: Kansas, North Carolina, North Dakota, Vermont, and Wisconsin. The declines in these states, with the exception of Vermont, are at least partially attributable to legislative changes in 2014 that cut income tax rates, restructured tax brackets, and made other changes.

The largest dollar value increase was in California, where personal income tax collections grew by $2.4 billion, or 16.8 percent. The largest dollar-value declines were in North Carolina, where income tax collections declined by $262 million, or 9.3 percent. The declines in North Carolina are at least partially attributable to legislated changes as the legislature replaced the three-bracket income tax rates of 6, 7, and 7.75 percent with a single rate of 5.8 percent in calendar year 2014.

We can get a clearer picture of collections from the personal income tax by breaking this source down into four major components for which we have data: withholding, quarterly estimated payments, final payments, and refunds. The Census Bureau, the source of much of the data in this report, does not collect data on individual components of personal income tax collections. The data presented here were collected by the Rockefeller Institute.

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 3 shows that withholding for the October-December 2014 quarter increased by $4.1 billion, or 6.2 percent for the forty states for which we have data, out of forty-one states with broad-based personal income taxes. The 6.2 percent growth is considerably stronger than the 2.6 and 4.3 percent growth rates reported in the second and third quarters of 2014. Wages are the largest component of taxable income by far. The growth in overall

Table 3. Personal Income Tax Withholding, By State

Last Four Quarters, Percent Change

	2014			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
United States	**5.5**	**2.6**	**4.3**	**6.2**
New England	**6.7**	**3.4**	**4.7**	**4.9**
Connecticut	2.5	5.7	5.2	5.5
Maine	3.8	1.6	2.4	4.2
Massachusetts	9.1	2.7	4.8	4.9
Rhode Island	6.8	3.4	5.5	5.0
Vermont	15.1	(2.5)	2.4	2.4
Mid-Atlantic	**6.2**	**4.0**	**6.5**	**7.8**
Delaware	14.8	4.3	3.1	3.8
Maryland	4.8	4.0	3.3	4.4
New Jersey	5.2	2.5	13.9	14.8
New York	7.2	4.7	6.3	7.1
Pennsylvania	3.2	2.8	3.8	7.9
Great Lakes	**4.3**	**(1.8)**	**1.1**	**3.6**
Illinois	0.6	3.2	3.8	5.6
Indiana	7.5	0.4	6.0	7.5
Michigan	5.0	3.1	(0.3)	5.3
Ohio	(3.3)	(4.8)	(1.7)	4.0
Wisconsin	17.7	(12.3)	(5.2)	(6.4)
Plains	**2.3**	**4.3**	**5.5**	**5.5**
Iowa	3.3	5.3	5.8	6.8
Kansas	(4.6)	(2.3)	2.2	(0.4)
Minnesota	5.0	6.1	5.2	5.3
Missouri	1.3	4.0	6.7	6.0
Nebraska	4.4	1.5	5.3	6.3
North Dakota	(11.7)	15.0	14.0	28.4
Southeast	**1.3**	**(2.4)**	**0.8**	**2.2**
Alabama	4.1	(1.0)	4.8	4.0
Arkansas	7.1	(0.5)	5.7	3.9
Georgia	7.4	3.9	4.7	8.4
Kentucky	3.1	(0.4)	5.7	6.9
Louisiana	ND	ND	ND	ND
Mississippi	9.0	(1.7)	7.0	3.9
North Carolina	(10.7)	(16.6)	(14.6)	(11.7)
South Carolina	8.1	6.2	3.2	7.3
Virginia	1.5	1.0	6.3	6.0
West Virginia	4.1	(0.7)	6.2	4.6
Southwest	**8.6**	**2.9**	**5.6**	**7.0**
Arizona	6.7	3.2	1.6	3.9
New Mexico	24.2	(5.2)	10.1	16.8
Oklahoma	5.2	6.1	9.0	7.0
Rocky Mountain	**7.0**	**5.6**	**7.2**	**8.6**
Colorado	6.2	7.9	8.1	9.4
Idaho	8.4	4.3	6.3	6.6
Montana	6.6	6.5	6.7	11.3
Utah	8.1	1.9	6.1	7.1
Far West	**9.2**	**8.2**	**9.5**	**9.9**
California	9.6	8.4	10.0	10.4
Hawaii	5.6	4.9	6.2	8.6
Oregon	6.5	7.5	6.3	6.1

Source: Individual state data, analysis by the Rockefeller Institute.

Note: Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no broad-based personal income tax and are not shown in this table.

ND = No Data. We were unable to obtain data for Louisiana.

personal income tax collections is attributable to the growth in withholding taxes on wages as well as growth in taxes on investment income.

Thirty-seven states reported growth in withholding for the fourth quarter of 2014, while the following three states reported declines: Kansas, North Carolina, and Wisconsin. The largest declines were in North Carolina and Wisconsin, at 11.7 and 6.4 percent, respectively. North Dakota had the strongest growth at 28.4 percent.

All regions had growth in withholding. The Far West had the greatest growth in withholding at 9.9 percent, while the Southeast region had the softest growth at 2.2 percent. The large growth in the Far West region is mostly attributable to the strong growth in withholding in California, while the weak growth in the Southeast region is mostly attributable to declines in withholding in North Carolina.

Estimated Payments

The highest-income taxpayers generally make 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. Estimated payments normally represent a relatively small proportion of overall income-tax revenues, but can have a disproportionate impact on the direction of overall collections. In the fourth quarter of 2014, estimated payments accounted for $11.1 billion, or roughly 14 percent of all personal income tax revenues.

The first payment for each tax year is due in April in most states and the second, third, and fourth are generally due in June, September, and January (although many high-income taxpayers make this last state income tax payment in December, so that it is deductible on the federal tax return for that year, rather than the next). In the thirty-seven states for which we have complete data for the fourth payment (mostly attributable to the 2014 tax year), the median payment was up by 13.9 percent compared to the previous year (see Table 4). For all four payments combined, the median payment was up by 5.1 percent in the thirty-seven states for which we have complete data. Declines were recorded in three of the thirty-seven states for the fourth payment, and in eight states for all four payments. The median

Table 4. Estimated Payments/Declarations, By State

Year-Over-Year Percent Change

State	Apr.-Jan. (all 4 payments of 2013)	Dec.-Jan. (4th payment of 2013)	Apr.-Jan. (all 4 payments of 2014)	Dec.-Jan. (4th payment of 2014)
Average (Mean)	**4.9**	**(13.7)**	**6.3**	**17.1**
Median	**6.4**	**(8.2)**	**5.1**	**13.9**
Alabama	(2.6)	(18.9)	0.4	5.2
Arizona	(0.3)	(14.3)	8.6	13.9
Arkansas	0.2	(14.0)	2.0	8.6
California	(6.5)	(30.6)	20.4	26.4
Colorado	18.6	(14.0)	1.7	34.6
Connecticut	4.8	1.2	5.2	4.8
Delaware	7.6	1.4	10.1	14.3
Georgia	(21.3)	(8.0)	16.6	31.5
Hawaii	11.2	(24.6)	(2.0)	35.5
Illinois	7.7	(0.9)	0.4	2.0
Indiana	(0.9)	(7.0)	12.2	15.7
Iowa	(2.3)	(21.5)	(7.8)	(0.0)
Kansas	(37.8)	(45.8)	(31.4)	2.8
Kentucky	10.6	(9.0)	(1.6)	14.7
Louisiana	6.4	(7.8)	ND	ND
Maine	(6.7)	(25.8)	4.3	22.8
Maryland	3.7	(7.7)	12.1	13.5
Massachusetts	8.0	3.0	12.7	19.7
Michigan	13.4	3.4	4.7	14.6
Minnesota	25.8	23.7	6.1	12.7
Mississippi	4.7	(35.8)	1.2	26.0
Missouri	12.4	6.4	6.6	14.0
Montana	6.4	(0.7)	7.8	6.4
Nebraska	7.3	(10.4)	4.2	20.2
New Jersey	9.8	5.1	5.5	7.6
New York	20.3	3.8	(6.3)	12.1
North Carolina	(7.5)	(10.7)	7.8	11.3
North Dakota	51.0	(25.3)	(37.9)	(14.2)
Ohio	(0.6)	(15.2)	(20.2)	(5.4)
Oklahoma	8.1	(8.6)	2.0	11.0
Oregon	9.0	0.3	17.2	22.2
Pennsylvania	(0.5)	(8.4)	4.1	8.9
Rhode Island	2.4	(8.9)	28.6	36.8
South Carolina	1.0	(7.7)	5.1	18.1
Vermont	14.2	14.8	7.0	9.7
Virginia	9.4	(0.3)	14.4	30.8
West Virginia	(3.7)	(4.8)	13.2	22.8
Wisconsin	8.2	(8.8)	(8.4)	4.9

Source: Individual state data, analysis by the Rockefeller Institute.

Note: ND = No Data. We were unable to obtain data for Louisiana.

growth of 5.1 percent reported for all four payments of tax year 2014 is a noticeable softening compared to the median growth of 6.4 percent reported for all payments of tax year 2013.

The soft growth in the estimated payments for 2014 is not surprising and appears to be related to federal tax policy and the uncertainty that was tied to the fiscal cliff. If Congress had not taken any actions to address the fiscal cliff, tax rates would have risen on several types of income, including capital gains. (And tax rates did end up increasing, as mentioned above, although Congressional action muted those increases.) Therefore, many taxpayers appear to have accelerated the realization of some income, such as capital gains, from tax year 2013 into tax year 2012. This resulted in strong growth in estimated payments for the fourth payment of tax year 2012 as well as the first and second payments of tax year 2013 and subsequently led to declines in the fourth payment of the tax year 2013 and the first and second payments of 2014, relative to the inflated year-earlier values. The impact of the fiscal cliff on estimated payments likely was less pronounced in the third and fourth quarters of 2014. Nevertheless, the uncertain implications of the federal policy created a further burden for states trying to make accurate projections of personal income taxes.

Final Payments

Final payments normally represent a smaller share of total personal income tax revenues in the first, third, and fourth quarters of the tax year, and a much larger share in the second quarter of the tax year due to the April 15th income tax return deadline. In the fourth quarter of 2014, final payments accounted for $3.9

billion, or roughly 5 percent of all personal income tax revenues. Final payments with personal income tax returns in the thirty-eight states for which we have complete data declined by 7.8 percent in the fourth quarter of 2014 compared to the same quarter of 2013. Payments with returns in the October-December quarter of 2014 were below the 2013 levels in twenty-seven of thirty-eight states for which we have complete data. See "The Outlook for the Remainder of State Fiscal Year 2015" for discussion of preliminary information on final payments in the April-June quarter.

Refunds

Personal income tax refunds paid by thirty-eight states grew by 3.0 percent in the fourth quarter of 2014 compared to the same quarter of 2013. In total, these thirty-eight early reporting states paid out about $180 million more in refunds in the October-December quarter of 2014 than in 2013. Overall, nineteen states paid out more refunds while nineteen states paid out less refunds in the fourth quarter of 2014 compared to the same quarter of 2013.

General Sales Tax

State sales tax collections in the October-December quarter showed growth of 7.4 percent from the same period in 2013, which is the strongest growth rate reported since the Great Recession. Sales tax collections have been growing for twenty straight quarters now, with an average quarterly growth of 4.3 percent. Sales tax collections were above the recessionary peak for the quarter in nominal terms, ending 13.8 percent higher than in the fourth quarter of 2007. Inflation-adjusted figures indicate that sales tax were only 2.6 percent above the recessionary peak reported in the fourth quarter of 2007. The overall weakness in the sales tax collections is at least partially attributable to tax dollars lost in online retail sales. States lost an estimated $52 billion from 2007 to 2012 due to being prohibited from collecting sales tax from e-commerce sales.[6] Moreover, many consumers are more cautious in their discretionary spending in the post Great Recession period.

The Great Lakes region reported the largest increase at 14.3 percent, while the New England region reported the softest growth at 3.3 percent.

Forty-two of forty-five states with broad-based sales taxes reported growth for the quarter and three states — Connecticut, Nebraska, and South Carolina — reported declines. Among the states reporting growth, six states reported double-digit growth in sales tax collections ranging from 27 percent in Ohio to 14.1 percent in Wyoming.

Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits and in the timing of tax payments. Many states, such as Delaware, Hawaii, Montana, Rhode Island,

and Vermont, collect relatively little revenue from corporate taxes, and can experience large fluctuations in percentage terms. For all these reasons, there is often significant variation in states' gains or losses for this tax.

Corporate income tax revenue grew by 9.7 percent in the fourth quarter of 2014 compared to a year earlier. All regions but the New England and Great Lakes reported growth in corporate income tax collections. The Far West region reported the largest growth in corporate income tax collections at 52.4 percent in the fourth quarter of 2014, while the Mid-Atlantic region reported the softest growth at 3.7 percent. The New England and Great Lakes regions reported declines at 15.3 and 13.5 percent, respectively.

Among forty-six states that have a corporate income tax, twenty-seven states reported growth, with twenty-one enjoying double-digit gains. Nineteen states reported declines for the fourth quarter of 2014 compared to the same quarter of the previous year, of which fourteen states reported double-digit declines. The largest declines in terms of dollar value were reported in Illinois and New York, where corporate income tax collections fell by $163 million, or 18.5 and 17.2 percent, respectively. The largest growth in dollars was in California, where corporate income tax collections grew by $804 million, or 59 percent.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes. In Table 5, we show four-quarter moving average real growth rates for the nation as a whole. In the four quarter of 2014, states collected $57.1 billion from smaller tax sources, which comprised 26.8 percent of total state government tax collections.

Revenues from smaller tax sources showed a mixed picture in the fourth quarter of 2014. The motor fuel sales tax, the most significant of the smaller taxes, showed a 1.0 percent growth for the nation in real terms, which is the fifth consecutive quarter of growth. State property taxes, a relatively small revenue source for states, declined by 1.7 percent. Collections from tobacco product sales also showed declines at 4.4 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 0.1 and 0.6 percent, respectively, in the fourth quarter of 2014.

Underlying Reasons for Trends

State revenue changes result from three kinds of underlying forces: state-level changes in the economy (which often differ from national trends), the different ways in which economic changes affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

Table 5. Real Percent Change in State Taxes Other Than PIT, CIT, and General Sales Taxes

Year-Over-Year Real Percent Change; Four-Quarter Moving Averages

	Property tax	Motor fuel sales tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators license taxes	Other taxes
Nominal collections (mlns), last 12 months	$13,307	$43,061	$17,491	$6,219	$26,334	$140,150
2014 Q4	(1.7)	1.0	(4.4)	0.1	0.6	(0.2)
2014 Q3	3.4	1.2	(3.2)	(0.3)	1.9	1.6
2014 Q2	1.1	1.8	0.5	2.3	2.0	3.0
2014 Q1	0.3	1.4	1.7	2.5	0.6	3.7
2013 Q4	1.3	0.3	3.5	1.0	0.2	6.6
2013 Q3	1.0	(0.3)	3.4	(0.2)	(0.6)	5.9
2013 Q2	(1.2)	(0.6)	(0.8)	(1.7)	(0.9)	4.9
2013 Q1	(3.1)	(0.7)	(1.4)	0.1	0.4	4.6
2012 Q3	(4.7)	(0.2)	(2.4)	2.3	2.1	2.6
2012 Q3	(9.2)	(0.4)	(3.3)	3.5	3.2	3.6
2012 Q2	(10.5)	(1.2)	(2.2)	3.1	3.1	4.6
2012 Q1	(10.7)	0.1	(2.5)	0.7	2.1	7.5
2011 Q4	(11.0)	2.9	(1.8)	(0.5)	1.8	11.8
2011 Q3	(7.6)	5.6	(1.0)	0.5	0.3	12.1
2011 Q2	(3.9)	8.7	0.7	1.5	1.5	12.3
2011 Q1	2.4	8.2	2.7	3.1	3.3	9.3
2010 Q4	8.1	5.3	3.1	3.2	4.0	7.4
2010 Q3	13.3	2.4	2.2	3.0	5.6	4.3
2010 Q2	13.4	0.7	0.6	2.2	3.9	(2.3)
2010 Q1	9.9	(0.8)	(1.1)	0.8	1.5	(9.1)
2009 Q4	6.1	(1.9)	(1.5)	0.6	0.2	(13.6)
2009 Q3	(0.5)	(3.1)	0.4	0.1	(1.2)	(13.3)
2009 Q2	(2.0)	(5.3)	1.3	(0.1)	(0.9)	(6.7)
2009 Q1	(3.7)	(5.9)	2.6	0.4	(0.4)	3.9
2008 Q4	(2.8)	(4.9)	3.1	0.5	(1.1)	7.5
2008 Q3	1.8	(3.3)	3.5	(0.1)	(0.5)	9.9
2008 Q2	3.4	(1.7)	5.9	0.6	(0.3)	7.8
2008 Q1	4.1	(1.2)	6.2	0.6	(1.0)	3.4
2007 Q4	3.6	(1.7)	6.2	0.6	(0.4)	2.4
2007 Q3	1.6	(0.6)	4.0	1.7	(0.8)	(0.3)
2007 Q2	(0.1)	(1.1)	0.6	1.5	(0.8)	(1.2)
2007 Q1	1.8	0.1	1.7	0.7	0.6	(0.9)
2006 Q4	0.3	0.8	2.8	1.2	1.1	(0.2)
2006 Q3	(0.2)	(1.0)	5.5	1.3	1.0	2.1
2006 Q2	(0.0)	1.5	9.1	1.3	0.8	4.3
2006 Q1	0.9	1.6	7.0	2.5	0.2	5.3
2005 Q4	2.0	2.2	5.5	1.7	0.4	7.2
2005 Q3	3.5	3.7	4.3	(0.1)	2.0	6.4
2005 Q2	3.6	1.0	2.2	(0.5)	2.8	5.0
2005 Q1	1.8	1.5	3.0	(2.3)	3.7	5.8
2004 Q4	(4.8)	1.7	3.6	(1.4)	5.6	6.1
2004 Q3	(2.3)	1.6	3.6	0.1	6.1	7.6
2004 Q2	3.6	2.2	4.9	0.5	6.7	9.0
2004 Q1	1.1	0.5	10.6	4.4	5.6	7.6
2003 Q4	8.7	(0.9)	17.2	4.1	4.0	5.7
2003 Q3	5.7	(1.1)	26.3	2.4	2.9	3.9
2003 Q2	(0.9)	(0.3)	35.9	3.2	2.8	2.7
2003 Q1	(4.9)	0.8	27.2	0.7	3.7	2.3
2002 Q4	(4.8)	1.1	17.3	0.0	2.9	2.1
2002 Q3	(6.7)	0.7	5.6	2.7	2.6	2.6
2002 Q2	(4.3)	1.2	(5.9)	(0.1)	0.6	3.4
2002 Q1	5.1	1.7	(5.0)	(0.2)	(1.2)	2.1
2001 Q4	2.7	2.5	(1.5)	0.5	(2.9)	2.5
2001 Q3	(0.4)	3.4	2.5	(1.4)	(3.4)	1.4
2001 Q2	(5.1)	2.4	7.5	1.6	(0.7)	0.8
2001 Q1	(12.6)	1.1	8.3	1.3	2.3	3.5

Source: U.S. Census Bureau.

Economic Changes

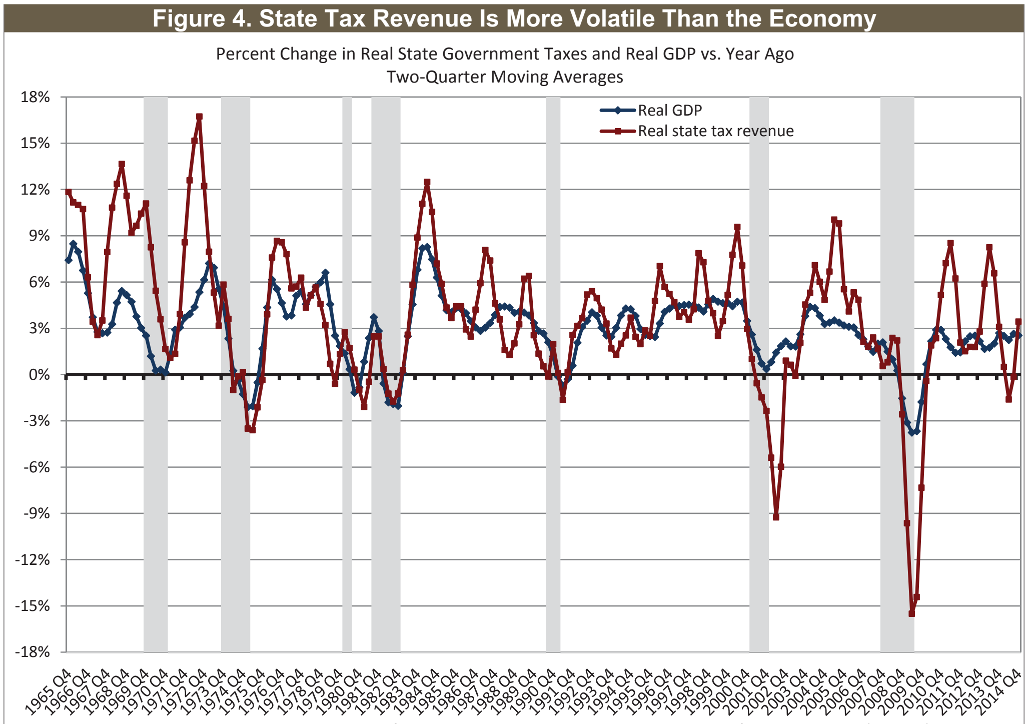
Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income rises, the sales tax generates more revenue when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly, and when it declines, tax revenue tends to decline. Figure 4 shows year-over-year growth for two-quarter moving averages in inflation-adjusted state tax revenue and in real gross domestic product, to smooth short-term fluctuations and illustrate the interplay between the economy and state revenues.

Tax revenue is usually related to economic growth. As shown in Figure 4, after two consecutive quarter declines, real state tax revenue resumed growth at 3.5 percent in the fourth quarter of 2014 on this moving-average basis. Real Gross Domestic Product (GDP) continued showing uninterrupted growth for five years and grew by 2.5 percent in the fourth quarter of 2014. Postrecession growth in real GDP has been fairly weak, varying between 0.7 and 2.9 percent.

Yet there is volatility in tax revenue that is not explained by real GDP, a broad measure of the economy. Throughout 2011, state tax revenue has risen significantly while the overall economy has been growing at a relatively slow pace in the wake of the Great Recession. Also, in much of 2009 and 2010, state revenue declines were much larger than the quarterly reductions in real GDP. Thus, although the growth rate in state tax revenues was not far from the growth rate in the overall economy throughout 2012, state tax revenues have been more volatile than the general economy in prior years as well as throughout 2013 and 2014. The volatility in state tax revenues in the last few quarters is at least partially attributable to the impact of the fiscal cliff.

State-by-state data on income and consumption are not available on a timely basis, and so we cannot easily see variation across the country in these trends. Instead, like other researchers, the

Figure 4. State Tax Revenue Is More Volatile Than the Economy



Sources: U. S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (real GDP).
Notes: (1) Percentage changes averaged over two quarters; (2) No legislative adjustments; (3) Recession periods are shaded.

Table 6. Nonfarm Employment, By State

Last Four Quarters, Year-Over-Year Percent Change

	2014			2015
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
United States	**2.0**	**2.0**	**2.0**	**1.9**
New England	**1.1**	**1.2**	**1.3**	**1.5**
Connecticut	0.6	0.5	1.3	1.5
Maine	0.6	0.4	0.2	1.0
Massachusetts	1.5	1.7	1.7	1.7
New Hampshire	1.2	1.2	1.0	1.1
Rhode Island	1.6	1.4	0.7	1.2
Vermont	0.7	1.3	1.3	1.1
Mid-Atlantic	**1.3**	**1.3**	**1.1**	**0.9**
Delaware	2.4	1.9	1.8	2.7
Maryland	1.0	1.0	1.2	0.7
New Jersey	1.0	0.7	0.7	0.5
New York	1.7	1.9	1.2	1.1
Pennsylvania	0.9	0.9	1.1	0.8
Great Lakes	**1.5**	**1.4**	**1.3**	**1.2**
Illinois	1.3	1.1	1.3	0.8
Indiana	1.8	1.6	1.4	1.9
Michigan	1.8	1.8	1.6	1.0
Ohio	1.3	1.5	1.0	1.0
Wisconsin	1.3	1.2	1.4	1.8
Plains	**1.5**	**1.4**	**1.2**	**1.5**
Iowa	1.5	0.9	1.5	1.1
Kansas	1.7	1.5	1.3	0.8
Minnesota	1.5	1.8	1.1	1.5
Missouri	1.0	1.0	0.8	1.7
Nebraska	1.6	1.2	0.8	0.8
North Dakota	4.1	4.1	4.1	5.1
South Dakota	1.6	1.6	0.9	0.9
Southeast	**2.0**	**2.1**	**2.3**	**2.0**
Alabama	0.8	1.1	1.6	1.7
Arkansas	1.0	1.2	1.8	1.6
Florida	3.1	3.3	3.4	2.9
Georgia	2.9	3.3	3.4	2.5
Kentucky	1.6	1.7	1.8	2.0
Louisiana	1.4	1.5	1.5	1.2
Mississippi	0.7	0.8	0.6	0.1
North Carolina	2.3	2.2	2.4	2.6
South Carolina	2.8	2.3	2.5	2.4
Tennessee	2.0	2.3	2.0	2.2
Virginia	0.5	0.5	0.7	0.5
West Virginia	0.0	(0.5)	(0.4)	1.2
Southwest	**2.5**	**2.6**	**2.8**	**3.4**
Arizona	1.8	1.8	1.9	2.6
New Mexico	0.5	1.1	1.3	1.5
Oklahoma	0.9	1.1	1.4	2.1
Texas	3.0	3.1	3.3	3.9
Rocky Mountain	**2.9**	**2.9**	**2.6**	**2.5**
Colorado	3.4	3.5	3.1	2.4
Idaho	2.8	2.8	2.2	1.4
Montana	1.2	1.0	0.4	1.7
Utah	2.9	2.9	3.0	3.6
Wyoming	1.1	1.4	1.2	1.2
Far West	**2.9**	**2.9**	**2.9**	**2.2**
Alaska	0.6	0.2	0.3	(0.1)
California	3.1	3.1	3.0	2.2
Hawaii	1.2	0.9	0.3	1.2
Nevada	3.5	3.6	3.6	2.5
Oregon	2.6	2.8	3.0	2.8
Washington	2.4	3.0	3.0	2.7

Source: Bureau of Labor Statistics (CES, seasonally unadjusted).

Rockefeller Institute relies partly on employment data from the Bureau of Labor Statistics to examine state-by-state economic conditions. These data are relatively timely and are of high quality. Table 6 shows year-over-year employment growth over the last four quarters, including the first quarter of 2015. For the nation as a whole, employment grew by 1.9 percent in the first quarter of 2015 compared to the same period of 2014. On a year-over-year basis, employment grew in all states but Alaska in the first quarter of 2015. Among individual states, Utah reported the largest growth at 4.1 percent in the first quarter of 2015, followed by North Dakota at 3.9 percent. In total, fourteen states reported growth of over 2.5 percent in the first quarter of 2015.

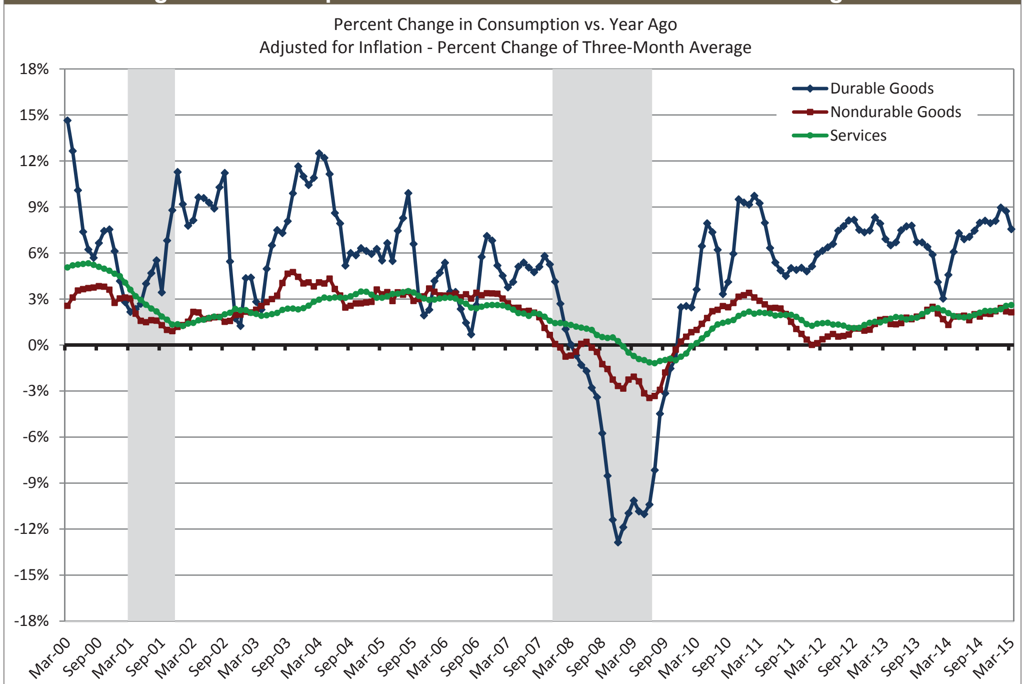
All regions reported growth in employment in the first quarter of 2015, but job gains are not evenly distributed among the regions. The Mid-Atlantic region reported the weakest growth in employment at 1.4 percent. The Far West and Rocky Mountain regions reported the largest increase in employment at 3.1 and 3.0 percent, respectively. These employment data are compared to the same period a year ago rather than to preceding months.

Economists at the Philadelphia Federal Reserve Bank developed broader and highly timely measures known as "coincident economic indexes" intended to provide information about current economic activity in individual states. Unlike leading indexes, these measures are not designed to predict where the economy is headed; rather, they are intended to tell us where we are now.[7] These indexes can be used to measure the scope of economic decline or growth.

The analysis of coincident indexes indicates that as of March 2015, economic activity nationwide increased by 0.6 percent compared to three months earlier and by 3.4 percent compared to a year earlier. At the state level, forty-six states reported growth in economic activity compared to three months earlier. The number of states reporting growth in economic activity has been rather stable throughout calendar year 2014 and varied between forty-eight and fifty. The data underlying these indexes are subject to revision, and so tentative conclusions drawn now could change at a later date.

Figure 5 shows national consumption of durable goods, nondurable goods, and services — factors likely to be related to sales tax revenues. The decline in consumption of durable and nondurable goods during the recent downturn was much sharper than in the last recession. Consumption of nondurable goods and services remained relatively stagnant in the last three

Figure 5. Consumption of Services and Nondurable Goods Is Stagnant

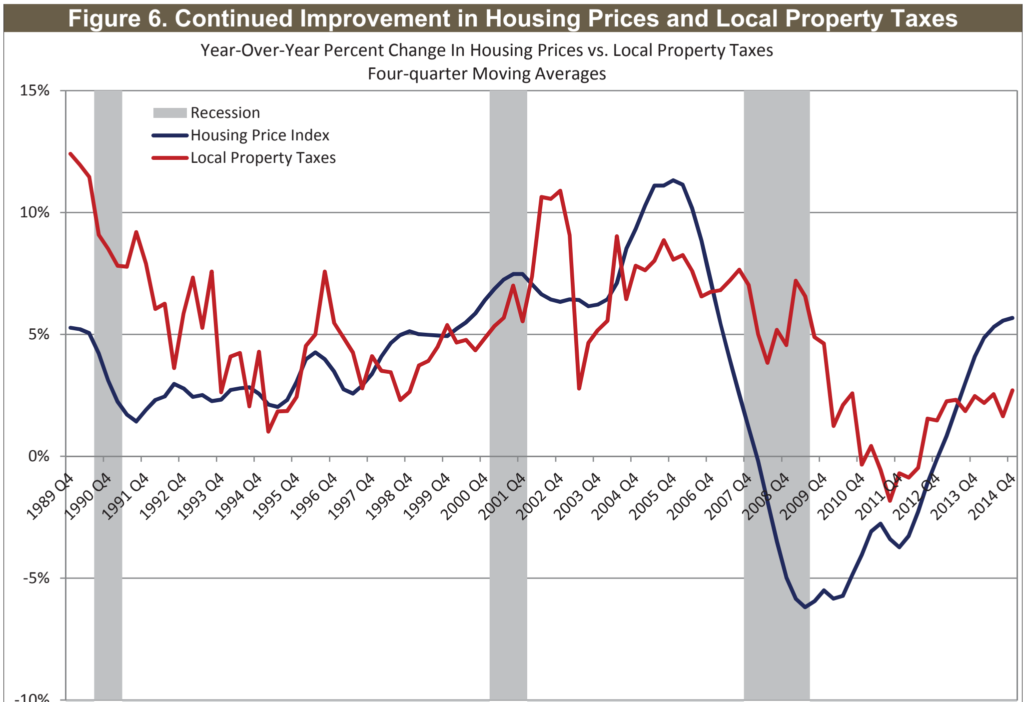


Source: U.S. Bureau of Economic Analysis, National Income and Product Accounts, Table 2.8.6.

years. Growth in the consumption of durable goods, an important element of state sales tax bases, has been relatively volatile in the most recent months, trending downward in the second half of 2013 and upward throughout 2014. However, it ticked downward once again in the months of February and March 2015.

Figure 6 shows the year-over-year percent change in the four-quarter moving average housing price index and local property taxes for the nation from the third quarter of 1990 through the fourth quarter of 2014. Declines in housing prices usually lead to declines in property taxes with some lag. The deep declines in housing prices caused by the Great Recession led to significant reductions in property taxes in fiscal years 2011 and 2012.[8]

Figure 6. Continued Improvement in Housing Prices and Local Property Taxes



Source: U.S. Census Bureau Quarterly Summary of State and Local Government Tax Revenue and Federal Housing Finance Agency, House Price Indexes data (All Transactions).

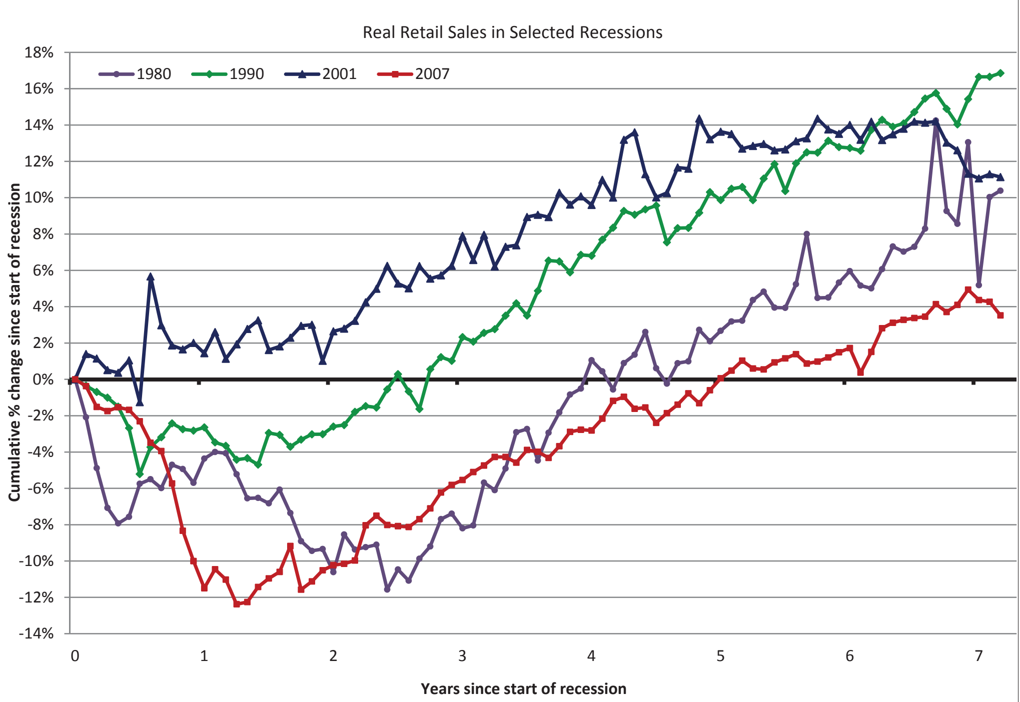
As Figure 6 shows, the housing price index began moving downward around mid-2005, with steeply negative movement from the last quarter of 2005 through the second quarter of 2009. The trend in the housing price index has been generally upward since mid-2009 and strengthened continuously throughout the fourth quarter of 2014. In the fourth quarter of 2014, the housing price index showed growth at 5.7 percent. This is the eighth consecutive quarter of growth and is proceeding after twenty consecutive quarter declines, which is highly encouraging. Figure 6 also shows that the decline in local property taxes lagged the decline in housing prices. The four-quarter moving average of year-over-year change in local property taxes showed 2.7 percent growth in the fourth quarter of 2014, marking the tenth consecutive quarter growth.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the October-December 2014 quarter, enacted tax increases and decreases produced an estimated loss of $491.4 million compared to the same period in 2013.[9] Enacted tax changes decreased personal income tax by approximately $207 million, decreased sales tax by $67 million, decreased corporate income taxes by $54 million, and decreased some other taxes by $164 million.

Among the enacted personal income tax changes, the most noticeable ones are in New York, where the freeze in property tax credit for homeowners is estimated to decrease the personal income tax collections. Other major noticeable tax changes were introduced in Texas to provide tax relief, including a franchise tax rate reduction exemptions and credits related to research and development equipment, telecomm equipment, and data centers. These tax changes are estimated to decrease revenues by an estimated $622 million in state fiscal year 2015.

Figure 7. Real Retail Sales Are Now Above the Prerecession Levels



Sources: Cleveland Federal Reserve Bank (pre-1990 retail sales), Census Bureau (1990+), and Bureau of Labor Statistics (CPI).

The Impact of Two Major Taxes

States rely on the sales tax for about 30 percent of their tax revenue, and it was hit far harder during and after the last recession than in previous recessions. Retail sales and consumption are major drivers of sales taxes. Figure 7 shows the cumulative percentage change in inflation-adjusted retail sales in the eighty-six months following the start of each recession from 1980 forward.[10] Real retail sales in the Great Recession (the solid red

Table 7. State Tax Revenue, October-December 2013 and 2014 ($ in millions)

	October-December 2013				October-December 2014			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**70,462**	**8,964**	**64,866**	**201,970**	**76,606**	**9,834**	**69,640**	**213,415**
New England	**5,454**	**726**	**3,008**	**11,938**	**5,728**	**615**	**3,107**	**12,298**
Connecticut	1,656	192	1,046	3,757	1,685	85	1,044	3,663
Maine	359	39	293	953	383	33	316	1,005
Massachusetts	2,982	359	1,355	5,650	3,173	344	1,418	5,941
New Hampshire	6	113	NA	387	7	112	NA	443
Rhode Island	288	6	225	640	317	14	239	690
Vermont	164	19	89	551	162	27	92	557
Mid-Atlantic	**15,059**	**2,145**	**8,711**	**34,739**	**16,798**	**2,226**	**9,066**	**37,267**
Delaware	198	45	NA	529	305	65	NA	738
Maryland	1,615	145	1,041	4,202	1,733	184	1,090	4,485
New Jersey	2,612	500	2,094	6,466	2,894	609	2,155	6,988
New York	8,262	879	3,204	16,225	9,288	717	3,338	17,169
Pennsylvania	2,372	575	2,372	7,316	2,578	650	2,483	7,888
Great Lakes	**10,533**	**1,532**	**9,321**	**30,665**	**10,701**	**1,324**	**10,658**	**31,342**
Illinois	3,566	948	2,165	9,440	3,723	785	2,342	9,317
Indiana	1,092	195	1,701	4,068	1,143	179	1,826	4,205
Michigan	1,860	191	1,912	6,315	1,930	204	2,251	6,721
Ohio	2,163	(21)	2,381	6,520	2,181	(33)	3,024	6,885
Wisconsin	1,853	219	1,163	4,321	1,724	189	1,216	4,214
Plains	**5,339**	**691**	**4,550**	**15,119**	**5,696**	**781**	**4,780**	**16,026**
Iowa	820	70	651	2,023	883	97	762	2,270
Kansas	535	96	740	1,734	534	92	767	1,746
Minnesota	2,153	349	1,355	5,664	2,352	391	1,363	6,042
Missouri	1,296	56	798	2,708	1,365	98	833	2,862
Nebraska	450	61	427	1,092	478	81	419	1,133
North Dakota	86	54	342	1,491	84	17	397	1,560
South Dakota	NA	6	238	407	NA	5	238	414
Southeast	**12,983**	**1,799**	**15,114**	**42,346**	**13,510**	**1,969**	**15,992**	**44,013**
Alabama	748	74	594	2,237	757	167	610	2,363
Arkansas	637	68	772	2,408	663	110	799	2,505
Florida	NA	450	5,121	8,885	NA	512	5,392	9,345
Georgia	2,420	185	1,209	4,622	2,669	190	1,275	4,956
Kentucky	925	125	779	2,811	995	135	822	2,951
Louisiana	726	198	742	2,564	752	165	775	2,618
Mississippi	443	104	804	1,924	446	81	826	1,933
North Carolina	2,834	227	1,410	5,906	2,572	247	1,690	5,761
South Carolina	1,072	59	760	2,298	1,155	29	692	2,346
Tennessee	6	162	1,755	2,842	10	142	1,875	2,893
Virginia	2,767	95	865	4,581	3,065	134	911	5,008
West Virginia	405	52	304	1,268	428	56	326	1,332
Southwest	**2,060**	**235**	**9,288**	**18,954**	**2,161**	**255**	**10,078**	**19,397**
Arizona	967	118	1,254	3,053	1,005	161	1,311	3,240
New Mexico	353	62	539	1,510	365	57	584	1,548
Oklahoma	741	56	647	2,216	791	37	690	2,298
Texas	NA	NA	6,848	12,175	NA	NA	7,493	12,312
Rocky Mountain	**2,606**	**281**	**1,592**	**6,352**	**2,897**	**296**	**1,720**	**6,920**
Colorado	1,293	166	633	2,792	1,469	149	685	3,073
Idaho	337	38	333	893	359	44	357	944
Montana	248	28	NA	647	267	50	NA	670
Utah	728	48	438	1,515	803	53	463	1,627
Wyoming	NA	NA	188	504	NA	NA	215	606
Far West	**16,426**	**1,554**	**13,283**	**41,855**	**19,114**	**2,368**	**14,238**	**46,153**
Alaska	NA	84	NA	855	NA	52	NA	309
California	14,452	1,362	8,888	31,300	16,884	2,166	9,487	35,383
Hawaii	410	20	694	1,441	500	25	738	1,592
Nevada	NA	NA	921	1,718	NA	NA	1,005	1,864
Oregon	1,565	87	NA	2,190	1,730	124	NA	2,419
Washington	NA	NA	2,779	4,351	NA	NA	3,009	4,586

Source: U.S. Census Bureau.

Table 8. Quarterly Tax Revenue By Major Tax
October-December, 2013-2014, Percent Change

	PIT	CIT	Sales	Total
United States	**8.7**	**9.7**	**7.4**	**5.7**
New England	**5.0**	**(15.3)**	**3.3**	**3.0**
Connecticut	1.8	(55.7)	(0.2)	(2.5)
Maine	6.9	(15.4)	7.5	5.5
Massachusetts	6.4	(4.0)	4.6	5.1
New Hampshire	29.0	(0.4)	NA	14.4
Rhode Island	10.3	143.9	6.2	7.8
Vermont	(1.4)	41.0	3.2	1.2
Mid-Atlantic	**11.5**	**3.7**	**4.1**	**7.3**
Delaware	53.5	43.9	NA	39.5
Maryland	7.3	26.9	4.7	6.7
New Jersey	10.8	21.8	2.9	8.1
New York	12.4	(18.5)	4.2	5.8
Pennsylvania	8.7	13.0	4.7	7.8
Great Lakes	**1.6**	**(13.5)**	**14.3**	**2.2**
Illinois	4.4	(17.2)	8.2	(1.3)
Indiana	4.7	(8.1)	7.3	3.4
Michigan	3.8	7.1	17.7	6.4
Ohio	0.8	59.7	27.0	5.6
Wisconsin	(7.0)	(13.6)	4.6	(2.5)
Plains	**6.7**	**12.9**	**5.0**	**6.0**
Iowa	7.7	38.7	17.1	12.2
Kansas	(0.1)	(4.5)	3.6	0.7
Minnesota	9.2	12.2	0.6	6.7
Missouri	5.3	74.5	4.4	5.7
Nebraska	6.2	33.8	(1.8)	3.7
North Dakota	(2.2)	(68.9)	16.2	4.6
South Dakota	NA	(19.0)	0.1	1.6
Southeast	**4.1**	**9.4**	**5.8**	**3.9**
Alabama	1.2	124.9	2.7	5.6
Arkansas	4.2	61.3	3.5	4.0
Florida	NA	13.9	5.3	5.2
Georgia	10.3	2.7	5.5	7.2
Kentucky	7.5	8.1	5.6	5.0
Louisiana	3.5	(16.8)	4.4	2.1
Mississippi	0.5	(21.8)	2.7	0.5
North Carolina	(9.3)	8.8	19.9	(2.5)
South Carolina	7.8	(51.0)	(9.0)	2.1
Tennessee	57.8	(12.6)	6.8	1.8
Virginia	10.8	42.0	5.3	9.3
West Virginia	5.7	8.5	7.0	5.0
Southwest	**4.9**	**8.5**	**8.5**	**2.3**
Arizona	4.0	36.6	4.6	6.1
New Mexico	3.5	(6.7)	8.4	2.5
Oklahoma	6.8	(34.2)	6.6	3.7
Texas	NA	NA	9.4	1.1
Rocky Mountain	**11.2**	**5.4**	**8.0**	**8.9**
Colorado	13.6	(10.4)	8.3	10.0
Idaho	6.4	15.5	7.4	5.6
Montana	7.5	78.3	NA	3.6
Utah	10.3	9.5	5.6	7.4
Wyoming	NA	NA	14.1	20.2
Far West	**16.4**	**52.4**	**7.2**	**10.3**
Alaska	NA	(37.7)	NA	(63.9)
California	16.8	59.0	6.7	13.0
Hawaii	22.0	25.5	6.3	10.5
Nevada	NA	NA	9.1	8.5
Oregon	10.6	42.1	NA	10.5
Washington	NA	NA	8.3	5.4

Source: U.S. Census Bureau.

line) plummeted after December 2007, falling sharply and almost continuously until December 2008, by which point they were more than 10 percent below the prerecession peak. This was deeper than in most recessions, although the declines in the 1980 recession also were quite sharp. While real retail sales have been rising continuously from their lows in the last five years, at the end of February 2015, more than seven years after the start of the Great Recession, they were only 3.5 percent above the prerecession levels.

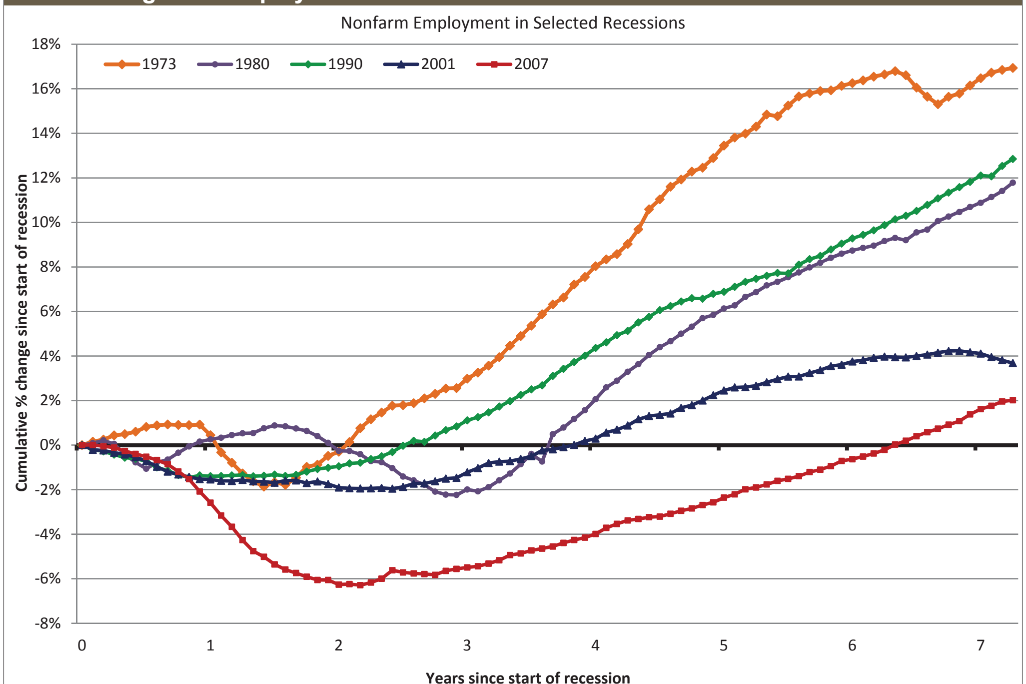
States, on average, count on the income tax for about 36 percent of their tax revenue. Employment and associated wage payments are major drivers of income taxes. Figure 8 shows the cumulative percentage change in nonfarm employment for the nation as a whole in the eighty-seven months following the start of each recession from 1980 forward.[11] The last point for the 2007 recession is March 2015. The employment finally attained its prerecession peak levels since May 2014. However, as the graph shows, the 2.0 percent employment growth as of March 2015 is still far worse than the trends seen in and around previous recessions. The trends depicted in Figure 8 suggest that the pace of employment is extraordinarily weak. The graph also shows downward trend for the 2001 recession, which is due to the employment figures shown for the first few months of the Great Recession. The last point for the 2001 recession is July 2008, which marked the seventh full month of the Great Recession.

The Outlook for the Remainder of State Fiscal Year 2015

Through the first two quarters of fiscal 2015, states collected $418 billion in total tax revenues, a gain of 4.9 percent from $398 billion in the same period of fiscal 2014, according to Census data (see Tables 9 and 10). The personal income tax and sales tax both showed growth at 6.5 percent each in the first two quarters of fiscal 2015 compared to the same period of 2014, and corporate income tax increased by 8.6 percent. All regions had growth in overall tax collections in the first two quarters of fiscal 2015, with the Rocky Mountain region having the greatest growth at 8.8 percent, while the Great Lakes region had the weakest growth at 2.7 percent.

Forty-four states reported growth in the first half of fiscal 2015, while the following six states reported declines: Alaska, Connecticut, Kansas, Louisiana, North Carolina, and Wisconsin. The greatest declines for the first half of fiscal 2015 was reported in Alaska at 68.5 percent, mostly due to declining oil prices and the state's high reliance on revenues generated from oil and gas.

Figure 8. Employment Is Now 2.0 Percent Above the Prerecession Level



Source: Bureau of Labor Statistics (CES, seasonally adjusted).

Forty-four of forty-five states with broad-based sales tax collections reported growth in sales tax collections, with eight states reporting double-digit growth. Finally, thirty-nine states reported growth in personal income tax collections, while four states reported declines.

Preliminary data for forty-seven states for the January-March quarter of 2015 indicate that total tax revenues increased by 5.4 percent compared to the same period of 2014, while personal income tax collections increased by 5.6 percent, and sales tax collections grew by 5.7 percent. With the economy now growing steadily and the gyrations related to the fiscal cliff largely in the past, this suggests that states are likely to see continued growth for the rest of the fiscal year 2015. Nonetheless, predicting tax revenue for the April-June quarter — the final quarter of the year for most states — will remain fraught with uncertainty. Early information on personal income tax collections for April suggest that revenue from tax returns is up considerably over last year, reflecting the strong stock market in 2014. California and North Carolina both have reported revenue above expectations, and other states may follow suit. Federal tax collections related to income tax returns were up 14 percent in April and early May; the forces that drive federal collections in these months often have a similar effect on state tax collections.

We will provide a complete analysis of tax revenue collections for the first quarter of 2015 after the Census Bureau's data for the quarter are available.

Overall, the state revenue outlook for the remainder of fiscal year 2015 appears positive for most states. However, the large drop in oil prices created further headaches for the oil-rich states. While all oil-rich states face fiscal challenges, the drop in oil prices had a particularly huge impact on Alaska, where severance taxes made up over three-quarters of total taxes. Total tax revenues in Alaska declined by 68.5 percent in the first half of fiscal 2015 compared to the same period in fiscal 2014. Alaska does not have broad-based personal income or sales taxes and relies heavily on

Table 9. State Tax Revenue, FYTD 2014 and FYTD 2015 ($ in millions)								
	July 2013-December 2013				July 2014-December 2014			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	**138,871**	**17,904**	**127,132**	**398,341**	**147,874**	**19,439**	**135,559**	**417,843**
New England	**10,306**	**1,494**	**5,559**	**22,562**	**10,701**	**1,359**	**5,809**	**23,213**
Connecticut	2,690	270	1,635	5,966	2,708	172	1,664	5,900
Maine	664	79	520	1,752	690	78	577	1,854
Massachusetts	6,043	827	2,757	11,514	6,349	782	2,891	11,974
New Hampshire	21	250	NA	860	23	242	NA	927
Rhode Island	566	25	470	1,439	604	29	493	1,511
Vermont	322	43	177	1,032	327	56	184	1,048
Mid-Atlantic	**30,012**	**4,100**	**16,468**	**68,856**	**32,449**	**4,224**	**17,148**	**72,464**
Delaware	593	105	NA	1,442	607	115	NA	1,459
Maryland	3,117	353	1,736	8,262	3,314	378	1,811	8,637
New Jersey	4,557	923	3,536	11,397	5,000	1,134	3,632	12,266
New York	16,967	1,751	6,431	32,953	18,474	1,430	6,686	34,268
Pennsylvania	4,778	968	4,765	14,802	5,054	1,167	5,019	15,834
Great Lakes	**21,725**	**3,018**	**18,750**	**61,557**	**21,779**	**2,723**	**21,019**	**63,198**
Illinois	7,174	1,826	4,331	18,538	7,404	1,573	4,602	18,708
Indiana	2,255	415	3,461	8,331	2,370	380	3,677	8,539
Michigan	4,397	338	4,384	14,103	4,461	371	5,143	15,016
Ohio	4,452	(18)	4,602	12,967	4,322	(26)	5,531	13,471
Wisconsin	3,448	458	1,973	7,617	3,222	426	2,065	7,465
Plains	**10,622**	**1,322**	**8,930**	**29,352**	**11,204**	**1,513**	**9,313**	**30,911**
Iowa	1,429	123	1,127	3,568	1,520	144	1,271	3,867
Kansas	1,119	179	1,488	3,497	1,067	202	1,524	3,465
Minnesota	4,359	623	2,643	10,781	4,704	713	2,679	11,378
Missouri	2,576	155	1,633	5,469	2,697	204	1,691	5,702
Nebraska	934	127	873	2,257	1,013	167	894	2,407
North Dakota	204	102	696	2,973	204	73	762	3,254
South Dakota	NA	12	470	806	NA	11	493	837
Southeast	**25,721**	**3,921**	**29,979**	**84,001**	**26,411**	**4,155**	**31,604**	**86,399**
Alabama	1,531	135	1,178	4,384	1,536	266	1,222	4,598
Arkansas	1,307	178	1,578	4,531	1,353	215	1,605	4,667
Florida	NA	892	10,330	17,799	NA	982	10,684	18,344
Georgia	4,763	394	2,420	9,226	5,102	414	2,572	9,757
Kentucky	1,857	325	1,557	5,481	1,976	292	1,627	5,649
Louisiana	1,529	234	1,500	5,305	1,533	237	1,571	5,300
Mississippi	801	211	1,488	3,496	870	188	1,556	3,623
North Carolina	5,597	586	2,898	11,788	4,974	538	3,437	11,356
South Carolina	2,143	132	1,191	4,298	2,289	118	1,181	4,579
Tennessee	10	429	3,577	5,901	14	432	3,788	6,091
Virginia	5,363	292	1,645	9,174	5,893	358	1,718	9,755
West Virginia	819	113	618	2,619	870	114	643	2,678
Southwest	**4,059**	**518**	**18,371**	**38,319**	**4,291**	**552**	**19,976**	**40,451**
Arizona	1,920	252	2,530	6,159	1,981	305	2,824	6,604
New Mexico	696	125	1,052	2,872	708	141	1,159	3,099
Oklahoma	1,443	141	1,295	4,391	1,602	105	1,374	4,686
Texas	NA	NA	13,494	24,896	NA	NA	14,619	26,061
Rocky Mountain	**5,061**	**565**	**3,287**	**12,292**	**5,526**	**635**	**3,534**	**13,378**
Colorado	2,585	312	1,285	5,566	2,878	310	1,401	6,120
Idaho	636	87	700	1,780	677	95	740	1,881
Montana	501	61	NA	1,205	537	87	NA	1,271
Utah	1,339	105	913	2,958	1,435	144	954	3,167
Wyoming	NA	NA	388	782	NA	NA	440	938
Far West	**31,365**	**2,967**	**25,788**	**81,402**	**35,513**	**4,277**	**27,155**	**87,829**
Alaska	NA	225	NA	1,800	NA	207	NA	566
California	27,365	2,458	17,300	60,254	31,193	3,728	18,190	66,848
Hawaii	863	65	1,338	2,899	953	46	1,437	3,103
Nevada	NA	NA	1,223	2,375	NA	NA	1,331	2,519
Oregon	3,137	219	NA	4,460	3,367	296	NA	4,823
Washington	NA	NA	5,926	9,614	NA	NA	6,197	9,970

Source: U.S. Census Bureau.

Table 10. FYTD Tax Revenue By Major Tax
FYTD 2014 vs. FYTD 2015, Percent Change

	PIT	CIT	Sales	Total
United States	**6.5**	**8.6**	**6.6**	**4.9**
New England	**3.8**	**(9.0)**	**4.5**	**2.9**
Connecticut	0.7	(36.2)	1.8	(1.1)
Maine	3.9	(1.5)	10.9	5.8
Massachusetts	5.1	(5.5)	4.8	4.0
New Hampshire	6.4	(3.3)	NA	7.8
Rhode Island	6.7	17.0	5.1	5.0
Vermont	1.5	31.8	3.9	1.5
Mid-Atlantic	**8.1**	**3.0**	**4.1**	**5.2**
Delaware	2.4	9.8	NA	1.2
Maryland	6.3	6.9	4.3	4.5
New Jersey	9.7	22.9	2.7	7.6
New York	8.9	(18.3)	4.0	4.0
Pennsylvania	5.8	20.6	5.3	7.0
Great Lakes	**0.2**	**(9.8)**	**12.1**	**2.7**
Illinois	3.2	(13.9)	6.3	0.9
Indiana	5.1	(8.4)	6.2	2.5
Michigan	1.5	9.7	17.3	6.5
Ohio	(2.9)	39.5	20.2	3.9
Wisconsin	(6.5)	(7.0)	4.7	(2.0)
Plains	**5.5**	**14.5**	**4.3**	**5.3**
Iowa	6.3	17.2	12.8	8.4
Kansas	(4.6)	12.7	2.4	(0.9)
Minnesota	7.9	14.4	1.3	5.5
Missouri	4.7	31.5	3.5	4.2
Nebraska	8.4	31.4	2.5	6.6
North Dakota	0.1	(29.1)	9.4	9.5
South Dakota	NA	(8.5)	4.8	3.8
Southeast	**2.7**	**6.0**	**5.4**	**2.9**
Alabama	0.3	97.8	3.8	4.9
Arkansas	3.5	20.9	1.7	3.0
Florida	NA	10.1	3.4	3.1
Georgia	7.1	5.2	6.3	5.8
Kentucky	6.4	(10.1)	4.5	3.1
Louisiana	0.3	1.0	4.7	(0.1)
Mississippi	8.7	(10.7)	4.6	3.7
North Carolina	(11.1)	(8.2)	18.6	(3.7)
South Carolina	6.8	(10.7)	(0.9)	6.5
Tennessee	38.7	0.8	5.9	3.2
Virginia	9.9	22.4	4.5	6.3
West Virginia	6.3	0.9	4.1	2.2
Southwest	**5.7**	**6.6**	**8.7**	**5.6**
Arizona	3.2	21.4	11.6	7.2
New Mexico	1.7	13.3	10.2	7.9
Oklahoma	11.0	(25.6)	6.1	6.7
Texas	NA	NA	8.3	4.7
Rocky Mountain	**9.2**	**12.5**	**7.5**	**8.8**
Colorado	11.3	(0.7)	9.0	10.0
Idaho	6.4	9.2	5.7	5.7
Montana	7.2	41.7	NA	5.5
Utah	7.2	37.2	4.5	7.1
Wyoming	NA	NA	13.2	20.0
Far West	**13.2**	**44.2**	**5.3**	**7.9**
Alaska	NA	(7.9)	NA	(68.5)
California	14.0	51.7	5.1	10.9
Hawaii	10.4	(28.8)	7.4	7.0
Nevada	NA	NA	8.8	6.1
Oregon	7.3	35.5	NA	8.1
Washington	NA	NA	4.6	3.7

Source: U.S. Census Bureau.

oil and gas severance taxes. About 90 percent of the state's general fund comes from oil revenue. Therefore, the oil booms and busts have a big impact on Alaska's budget. The large declines in oil prices in the most recent months left the state with unprecedented budget deficits. Alaska is facing a $3.5 billion budget gap but it also has a $14 billion savings fund, which gives it some breathing room. However, the Governor of Alaska has stated that the savings bridge is temporary and not sustainable, and the government needs to find longer-term solutions. The Governor cut the capital budget in half and proposed large cuts in discretionary spending.[12]

State Tax Revenues Compared to Their Peak Levels

In this report, we augment analysis of recent trends in state tax revenues with analysis of revenues for fiscal 2014 compared to prerecession peak levels. Table 11 shows nominal and real percent change for each state's total tax collections from its peak level to fiscal year 2014, as well as similar data for sales and personal income taxes. Table 12 provides the peak year for total taxes, as well as sales and personal income taxes for each individual state.

The numbers in Table 11 indicate that overall state tax revenues are slowly recovering from the deep declines caused by the Great Recession. At the end of fiscal 2014, overall real tax collections were 1.4 percent above the peak tax collections levels, sales tax collections were 3.2 percent above, and personal income tax collections were 2.1 percent above the peak levels.

The growth in income tax collections is mostly attributable to three states: California, Illinois, and New York. If we exclude these three states, personal income tax collections grew by 4.8 in nominal terms, but declined by 4.3 percent in real terms in fiscal 2014 compared to fiscal 2008. Excluding California only, personal income tax collections grew by 9.3 percent in nominal terms and declined by 0.2 percent in real terms.

The extent of revenue recovery varies dramatically among the states. Forty-four states reported fiscal 2014 collections that were higher than previous peak levels in nominal terms. However, after adjusting for inflation, only twenty-three states reported higher total tax collections in 2014 compared to their respective peak years. Thirty-six states reported sales tax collections in fiscal 2014 that surpassed earlier peak revenues in nominal terms and only nineteen states reported higher sales tax collections in 2014 in real terms. Finally, personal income tax collections in 2014 surpassed the peak levels in

Table 11: Nominal & Real Percent Change From Peak to FY 2014 in State Tax Collections

State	Nominal % change, peak to 2014			Real % change, peak to 2014		
	Total tax	Sales tax	PIT	Total tax	Sales tax	PIT
United States	**11.0**	**13.0**	**11.8**	**1.4**	**3.2**	**2.1**
Alabama	2.5	4.6	4.2	(6.4)	(4.4)	(4.8)
Alaska	(61.1)	N/A	N/A	(64.5)	N/A	N/A
Arizona	(9.2)	(9.4)	(7.6)	(18.8)	(18.9)	(17.4)
Arkansas	18.7	7.8	11.0	8.4	(3.6)	1.3
California	17.6	13.9	22.0	7.4	1.9	11.4
Colorado	22.1	13.1	11.7	11.5	3.3	2.0
Connecticut	14.3	12.3	13.4	4.4	2.5	3.6
Delaware	8.4	N/A	1.5	(1.0)	N/A	(9.3)
Florida	(11.8)	(6.0)	N/A	(23.4)	(15.9)	N/A
Georgia	2.1	(13.4)	1.4	(8.7)	(22.5)	(7.4)
Hawaii	17.2	7.8	11.9	7.0	(1.5)	0.0
Idaho	0.5	2.0	(7.0)	(8.2)	(6.9)	(15.0)
Illinois	30.3	7.3	55.6	16.5	(2.0)	42.1
Indiana	11.4	12.9	1.2	1.8	4.8	(7.6)
Iowa	18.4	20.8	12.3	9.9	12.1	2.5
Kansas	2.4	31.7	(14.7)	(6.4)	20.3	(22.1)
Kentucky	10.6	8.9	7.6	1.0	(0.6)	(1.7)
Louisiana	(11.9)	(16.0)	(14.3)	(19.5)	(24.9)	(23.4)
Maine	1.6	12.4	(9.5)	(7.2)	2.6	(17.4)
Maryland	20.2	8.9	12.0	9.8	1.1	2.3
Massachusetts	14.4	34.7	6.0	4.5	23.0	(3.2)
Michigan	0.1	4.2	9.7	(8.6)	(9.5)	0.1
Minnesota	26.2	19.6	22.5	15.3	9.2	11.9
Mississippi	12.3	4.7	7.5	2.5	(6.4)	(1.8)
Missouri	2.9	0.4	4.7	(6.0)	(10.2)	(4.3)
Montana	8.0	N/A	22.2	(1.3)	N/A	11.6
Nebraska	15.3	15.0	23.1	5.3	5.0	12.4
Nevada	13.3	19.2	N/A	1.3	6.6	N/A
New Hampshire	1.4	N/A	(21.4)	(7.4)	N/A	(28.2)
New Jersey	(3.1)	(0.3)	(5.0)	(11.5)	(9.0)	(13.3)
New Mexico	4.2	8.4	8.3	(6.9)	(3.1)	(1.1)
New York	18.0	12.2	16.6	7.8	2.4	8.3
North Carolina	2.6	10.9	(5.5)	(6.3)	1.2	(13.7)
North Dakota*	164.7	117.4	34.7	141.8	101.8	25.0
Ohio	3.6	29.9	(14.4)	(5.4)	18.6	(21.9)
Oklahoma	9.3	20.2	6.3	(0.2)	11.6	(2.9)
Oregon	25.1	N/A	18.8	11.8	N/A	6.3
Pennsylvania	6.4	7.0	3.9	(2.8)	(2.2)	(5.2)
Rhode Island	7.2	4.6	(0.3)	(4.1)	(6.5)	(8.9)
South Carolina	2.8	4.2	2.8	(8.1)	(6.8)	(6.1)
South Dakota	19.9	20.9	N/A	11.3	12.3	N/A
Tennessee	2.3	(9.4)	(17.8)	(6.6)	(17.2)	(24.9)
Texas	21.4	49.5	N/A	10.8	36.5	N/A
Utah	3.3	(7.2)	11.4	(5.6)	(15.2)	1.8
Vermont	15.6	4.6	8.4	3.3	(4.5)	(1.0)
Virginia	1.5	(2.2)	6.2	(9.2)	(12.5)	(5.0)
Washington	8.3	3.7	N/A	(1.1)	(5.3)	N/A
West Virginia	10.2	8.2	13.7	0.6	(3.3)	5.5
Wisconsin	10.0	8.4	7.3	0.5	(1.0)	(4.1)
Wyoming	(18.1)	(22.7)	N/A	(24.0)	(28.2)	N/A

Source: Individual state data, analysis by the Rockefeller Institute.

Note: Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no broad-based personal income tax and are not shown in this table.

Table 12. Peak Years for State Tax Collections

State	Total taxes	Sales tax	PIT
United States	**2008**	**2008**	**2008**
Alabama	2008	2008	2008
Alaska	2008	N/A	N/A
Arizona	2007	2007	2007
Arkansas	2008	2007	2008
California	2008	2007	2008
Colorado	2008	2008	2008
Connecticut	2008	2008	2008
Delaware	2008	N/A	2007
Florida	2006	2007	N/A
Georgia	2007	2007	2007
Hawaii	2008	2008	2008
Idaho	2008	2008	2008
Illinois	2007	2008	2008
Indiana	2008	2009	2008
Iowa	2009	2009	2008
Kansas	2008	2008	2008
Kentucky	2008	2008	2008
Louisiana	2008	2007	2007
Maine	2008	2008	2008
Maryland	2008	2009	2008
Massachusetts	2008	2008	2008
Michigan	2008	2009	2008
Minnesota	2008	2008	2008
Mississippi	2008	2007	2008
Missouri	2008	2007	2008
Montana	2008	N/A	2008
Nebraska	2008	2008	2008
Nevada	2007	2007	N/A
New Hampshire	2008	N/A	2008
New Jersey	2008	2008	2008
New Mexico	2007	2007	2008
New York	2008	2008	2009
North Carolina	2008	2008	2008
North Dakota	*	2009	2009
Ohio	2008	2008	2008
Oklahoma	2008	2009	2008
Oregon	2007	N/A	2007
Pennsylvania	2008	2008	2008
Rhode Island	2007	2007	2008
South Carolina	2007	2007	2008
South Dakota	2009	2009	N/A
Tennessee	2008	2008	2008
Texas	2008	2008	N/A
Utah	2008	2008	2008
Vermont	2007	2008	2008
Virginia	2007	2007	2007
Washington	2008	2008	N/A
West Virginia	2008	2007	2009
Wisconsin	2008	2008	2008
Wyoming	2009	2009	N/A

Source: Rockefeller Institute analysis of Census Bureau data.
*Total tax revenues showed continuous growth in North Dakota.

nominal terms in thirty-two states and in real terms in seventeen states.

The largest declines were in Alaska, where real total tax collections were down by 64.5 percent in fiscal 2014 compared to the peak levels recorded in fiscal 2008. The greatest growth, in dollars, were in California where real total tax collections grew by $9.6 billion, or 7.4 percent. Growth in dollars was also strong in Illinois and New York, where real total tax collections grew by over $5.5 billion or 16.5 and 7.8 percent, respectively. In all three states the strong revenue growth are partially attributable to legislated changes. Excluding California, Illinois, and New York, inflation adjusted total tax revenue figures declined by 1.5 percent for the rest of the nation. Therefore, states have not yet reached full fiscal recovery and many states are still facing fiscal challenges. In some states, the fiscal challenges are attributable to special circumstances. For example, the falling oil prices have a large impact on oil producing states, particularly for states such as Alaska with high reliance on severance taxes. Another example is related to pension underfunding, which has a large impact on several states, including Illinois, Kentucky, New Jersey, and Pennsylvania.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the Bureau of the Census in March of 2015. For reasons we describe below, we have adjusted Census data for selected states to arrive at figures that we believe are best-suited for our purpose of examining underlying economic and fiscal conditions. As a result of these adjustments, we report a year-over-year increase in state tax collections of 5.7 percent in the fourth quarter, compared to 5.2 percent increase that can be computed from data on the Census Bureau's Web site (www.census.gov/govs/www/qtax.html). In this section we explain how and why we have adjusted Census Bureau data, and the consequences of these adjustments.

The Census Bureau and the Rockefeller Institute engage in two related efforts to gather data on state tax collections, and we communicate frequently in the course of this work. The Census Bureau has a highly rigorous and detailed data collection process that entails a survey of state tax collection officials, coupled with Web and telephone follow-up. It is designed to produce, after the close of each quarter, comprehensive tax collection data that, in their final form after revisions, are highly comparable from state to state. These data abstract from the fund structures of individual states (e.g., taxes will be counted regardless of whether they are deposited to the general fund or to a fund dedicated for other purposes such as education, transportation, or the environment).

The Census Bureau's data collection procedure is of high quality but is labor-intensive and time-consuming. States that do not report on time, or do not report fully, or that have unresolved questions, may be included in the Census Bureau data on an estimated basis, in some cases with data imputed by the Census Bureau. These imputations can involve methods such as assuming that collections for a missing state in the current quarter are the same as those for the same state in a previous quarter, or assuming that collections for a tax not yet reported in a given state will have followed the national pattern for that tax. In addition, state accounting and reporting for taxes can change from one quarter to another, complicating the task of reporting taxes on a consistent basis. For these reasons, some of the initial Census Bureau data for a quarter may reflect estimated amounts or amounts with unresolved questions, and will be revised in subsequent quarters when more data are available. As a result, the historical data from the Census Bureau are comprehensive and quite comparable across states, but on occasion amounts reported for the most recent quarter may not reflect all important data for that quarter.

The Rockefeller Institute also collects data on tax revenue, but in a different way and for different reasons. Because historical Census Bureau data are comprehensive and quite comparable, we rely almost exclusively on Census data for our historical analysis. Furthermore, in recent years Census Bureau data have become far more timely and we use them for the most recent quarter as well, although we supplement Census data for certain purposes. We collect our own data on a monthly basis so that we can get a more current read on the economy and state finances. For example, as this report goes to print we have data on tax collections for the first quarter of 2015 for forty-seven states; while the numbers are preliminary, they are still useful in understanding what is happening to state finances.

In addition, we collect certain information that is not available in the Census Data — figures on withholding tax collections, payments of estimated income tax, final payment, and refunds, all of which are important to understanding income tax collections more fully. Our main uses for the data we collect are to report more frequently and currently on state fiscal conditions, and to report on the income tax in more detail.

Ordinarily there are not major differences between our data for a quarter and the Census data. Normally we use the Census data without adjustment for full quarterly *Revenue Reports*. In the last three years, states have been slow in reporting tax revenues to the Census Bureau in a timely manner due in part to furloughs and reduced workforces. For example, for the fourth quarter of 2014, the Census Bureau did not receive data in time for eight states and reported estimated figures for those states. We have made some adjustments to the Census data. Table 13 shows the year-over-year percent change in national tax collections for the preliminary figures as reported by the Census Bureau in March 2015 and for the Census Bureau's preliminary figures with selected adjustments by the Rockefeller Institute.

Table 13. RIG vs. Census Bureau Quarterly Tax Revenue By Major Tax

October-December, 2013 to 2014, Percent Change

	PIT	CIT	Sales	Total
Census Bureau Preliminary	8.9	9.3	6.5	5.2
Census Bureau Preliminary with RIG Adjustments	8.7	9.7	7.4	5.7

The last set of numbers with our adjustments is what we use as the basis for this report. For the fourth quarter of 2014, we made adjustment for the following nine states — Arizona, Iowa, Kansas, Minnesota, Mississippi, New Mexico, Ohio, Washington, and West Virginia — based upon revised data provided to us by the Census Bureau or information provided to us directly by these states. For eight of these nine states, the Census Bureau had not received a response in time for its publication and used imputed data that will be revised in later reports. The Institute obtained data for all eight; these data may not be as comprehensive as what would be used by the Census Bureau, but we believe they provide a better picture of fiscal conditions than imputed data. In addition, we adjusted tax data for Mississippi as well as tax collections for some previous quarters for those states where Census Bureau reported imputed values or where preliminary figures were questionable.

Endnotes

1 We made adjustments to Census Bureau data for the fourth quarter of 2014 for nine states — Arizona, Iowa, Kansas, Minnesota, Mississippi, New Mexico, Ohio, Washington, and West Virginia — based upon data and information provided to us directly by these states or based on the revised data provided to us by the Census Bureau. In addition, we made adjustments to tax numbers for the previous quarters for several states, where Census Bureau still reported imputed data. These revisions together account for some differences between the Census Bureau figures and the Rockefeller Institute estimates.

2 See for example Lucy Dadayan and Donald J. Boyd, "State Tax Revenues Continue Slow Rebound," *State Revenue Report*, #90, The Nelson A. Rockefeller Institute of Government, February 2013, http://www.rockinst.org/pdf/government_finance/state_revenue_report/SSR-90.pdf , and Lucy Dadayan and Donald J. Boyd, "April 'Surprises' More Surprising Than Expected," *State Revenue Special Report*, The Nelson A. Rockefeller Institute of Government, June 2014, http://www.rockinst.org/pdf/government_finance/state_revenue_report/2014-06-12-Special_ReportV5.pdf.

3 We have adjusted the historical data for local property tax revenue as reported by the Census Bureau, revising the data for the third quarter of 2008 and earlier periods upward by 7.7 percent, consistent with the higher level of property tax revenue in the new sample compared with the previous sample, as reported in the Census Bureau's "bridge study." For more information on methodological changes to the local property tax and the results of the bridge study, please see: http://www2.census.gov/govs/qtax/bridgestudy.pdf .

4 Preliminary figures for the January-March quarter of 2015 are not available for the following three states: Hawaii, Nevada, and Wyoming. It is likely that the nationwide picture for collections during the first quarter of 2015 might change slightly once we have complete data for all fifty states for the quarter.

5 The 17.5 percent is based on calendar year average and is not adjusted for dividends. For more information, see the S&P 500 database available through the Federal Reserve Bank of St. Louis, http://research.stlouisfed.org/fred2/series/SP500/downloaddata.

6 See Donald Bruce, William F. Fox, and LeAnn Luna, "State and Local Government Sales Tax Revenue Losses from Electronic Commerce," The University of Tennessee, April 13, 2009, http://cber.bus.utk.edu/ecomm/ecom0409.pdf.

7 For a technical discussion of these indexes and their national counterpart, see Theodore M. Crone and Alan Clayton-Matthews. "Consistent Economic Indexes for the 50 States," *Review of Economics and Statistics*, 87 (2005), pp. 593-603; Theodore M. Crone, "What a New Set of Indexes Tells Us About State and National Business Cycles," *Business Review*, Federal Reserve Bank of Philadelphia (First Quarter 2006); and James H. Stock and Mark W. Watson. "New Indexes of Coincident and Leading Economic Indicators," *NBER Macroeconomics Annual* (1989), pp. 351-94. The data and several papers are available at http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/.

8 For more discussion of the relationship between property tax and housing prices, see Lucy Dadayan, *The Impact of the Great Recession on Local Property Taxes* (Albany, NY: The Nelson A. Rockefeller Institute of Government, July 2012), http://www.rockinst.org/pdf/government_finance/2012-07-16-Recession_Local_%20Property_Tax.pdf.

9 Rockefeller Institute analysis of data from the National Association of State Budget Officers.

10 This treats the 1980-82 "double-dip" recession as a single long recession.

11 Ibid.

12 See Governor Bill Walker, the State of Alaska, "Speech: State of the Budget," January 22, 2015, http://gov.alaska.gov/Walker/press-room/full-press-release.html?pr=7061.

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 fifty states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior policy analyst, and Donald J. Boyd, senior fellow. Thomas Gais, director of the Institute provided valuable feedback on the report. Michael Cooper, the Rockefeller Institute's director of publications, did the layout and design of this report, with assistance from Michele Charbonneau.

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