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HIGHLIGHTS

- State tax revenues grew by 5.8 percent in the first quarter of 2015, according to Rockefeller Institute research and Census Bureau data.
- All major sources of tax revenues showed solid growth in the first quarter of 2015: personal income tax collections grew by 7.1 percent, corporate income taxes at 3.3 percent, sales taxes at 5.2 percent, and motor fuels at 4.4 percent.
- Total state tax collections for the first three quarters of fiscal year 2015 grew by 5.3 percent compared to the same period of fiscal year 2014.
- Preliminary figures for the second quarter of 2015 indicate growth in total state tax collections of 7.6 percent and particularly strong growth in personal income tax collections of 14.3 percent, likely reflecting the impact of the strong stock market in 2014 on final tax returns and estimated payments in April.
- The most recent state forecasts indicate a slowdown in total personal income tax growth to 2.7 percent in fiscal year 2016 (and to 4.0 percent in the median state), from 5.1 percent estimated by states for fiscal year 2015. These forecasts generally do not reflect the steep drop in stock markets over the last month, which could bode ill for state income tax revenue.
- Local property tax revenues grew by 2.1 percent in the first quarter of 2015.

STATE REVENUE REPORT

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States Enjoy Growth in Tax Revenues in the First Quarter of 2015

Preliminary Figures Show Double-Digit Growth in Income Taxes for the Second Quarter, But Recent Stock Market Declines Throw Up a Caution Flag

Lucy Dadayan and Donald J. Boyd

Rockefeller Institute's 100th Quarterly Revenue Report

This is the 100th *State Revenue Report (SRR)* published by the Rockefeller Institute of Government of SUNY. The first report, authored by economist Steven Gold, was issued in August 1990 and warned that the declines or slow growth in many states' revenues suggested that parts of the nation were "in recession or skating on the brink of one," a hypothesis that turned out to be correct. Since then, the *SRR* has gone through many changes. It now puts recent state revenue changes into historical context. It examines local property taxes as well as other revenue data, such as income tax withholding and estimated payments. It shows other state-level economic data, including employment and retail sales; and it provides personal income tax forecasts. Future plans for improvements include monthly reporting, deeper analysis of selected issues (already done in part by our annual *Blinken Report*), and additional forecasting. But the purpose of the *SSR* remains the same. Citizens should have accurate, comparative, timely facts about the performance of their state revenue systems.

The 25-year history of the *State Revenue Report* has benefitted from the work of many people. Our authors have included Donald Boyd, Lucy Dadayan, Robert Ward, Brian Stenson, Alison Grinnell, Nicholas Jenny, Elizabeth Davis, and the late Steven Gold. Michael Cooper, our publication director, assisted by Michelle Charbonneau, has designed the *SRR's* format and edited every word in every report. Joseph Chamberlin, our IT director, has prepared the reports for our website, while Robert Bullock, deputy director for operations, has drafted our press releases. We also thank the U.S. Census Bureau as well as state officials in all 50 states for providing us with timely data and patient responses to our questions. Finally, we thank our many readers, including federal, state, and local officials; academicians and journalists; financial industry professionals; representatives of advocacy groups; and private citizens.

Total State Taxes and Local Taxes

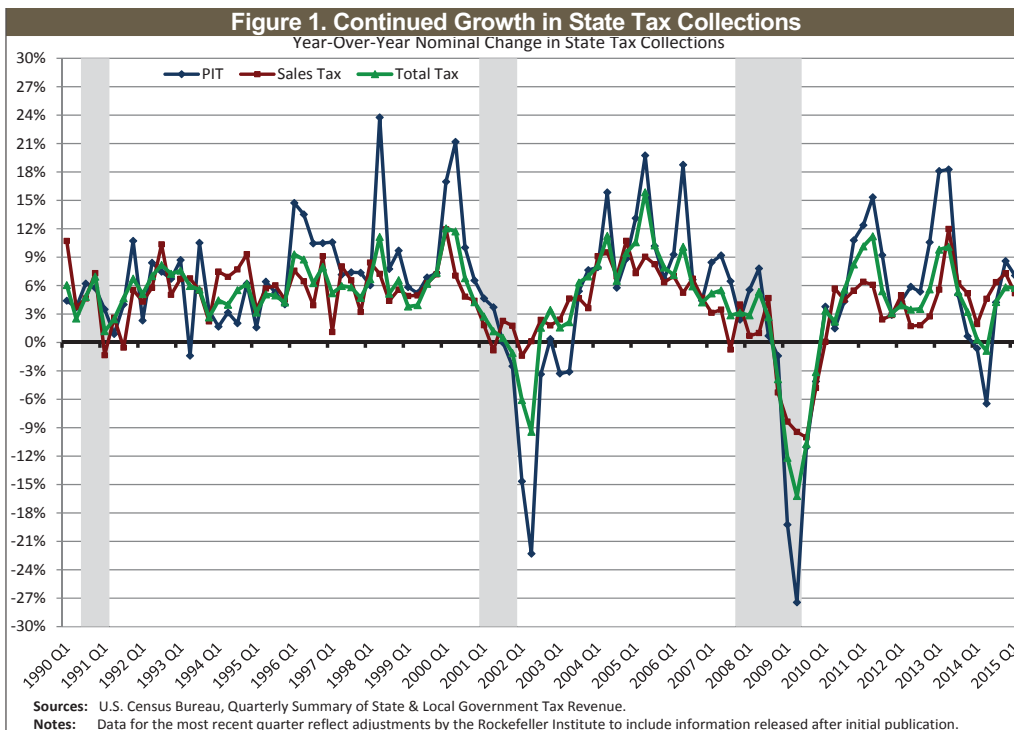
Growth in total state tax collections has fluctuated significantly in the last two years. Total state tax collections were rather weak in the first half of calendar year 2014 but resumed growth since then. We believe the large fluctuations in state tax collections have been mostly attributable to taxpayers' responses to real and anticipated policy changes at the federal level as discussed in previous *State Revenue Reports*. We expect the impact of these responses to be largely completed in the second quarter of 2015, and that tax revenue collections will show steadier growth afterward. Early figures for the second quarter of 2015 indicate continued growth in overall state tax collections as well as in major tax sources.

The Institute's analysis of data indicates slightly stronger fiscal conditions for states than the preliminary data released in June 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 25¹).

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 (which 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 the 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 and the first quarter of 2015.

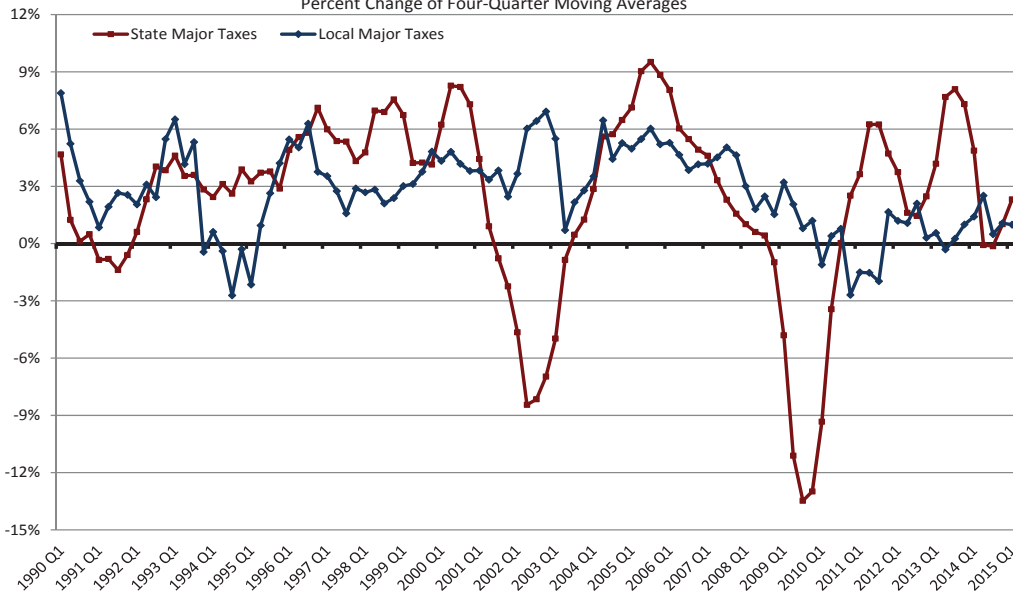
Sales tax revenue growth was relatively more stable in the last two years. The sales tax softened considerably in the first quarter of 2014, rising by only 1.9 percent, but grew more rapidly since then.

Total state tax collections in the first quarter of 2015 were above the previous peak levels in most states, in nominal terms. Adjusted for inflation, nationwide tax receipts were 9.3 percent higher in the first quarter of 2015 than in the same quarter of 2008, the first full quarter of the Great Recession. Inflation adjusted personal income tax receipts were 11.5 percent higher, while sales tax receipts were only 4.7 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 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 10 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 2.3 percent in the last four quarters relative to the year-earlier period. This is significantly

Figure 2. Growth in Major Local Taxes Ticks Upward

Year-Over-Year Real Change in State and Local Taxes From Major Sources
Percent Change of Four-Quarter Moving Averages



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) Percentage changes averaged over four quarters; (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.

weaker than the growth rates reported throughout 2013. However, the substantially strong growth in 2013 and subsequent softening and declines in the first half of 2014 were mostly attributable to the impact of the federal fiscal cliff.

The four-quarter moving average of inflation adjusted local taxes grew by 1.0 percent in the first quarter of 2015, which is a substantial softening compared to growth rates in the first half of 2014. Inflation for the same time period, as measured by the gross domestic product price index, was 1.5 percent. The softening in the moving average of local tax revenues was largely attributable to declines in local sales tax collections in the final two quarters of 2014; however, the Census Bureau local sales tax data are very “bouncy” and we suspect the declines reflect data anomalies rather than underlying economic trends.

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 1.0 percent growth in local major tax collections for the four quarters ending in March 2015 was weak compared to historical averages. The largest year-over-year growth in the last decade was 6.0 percent, in the third quarter of 2005.

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 2.1 percent in nominal terms in the first quarter of 2015 compared to the same quarter of 2014.

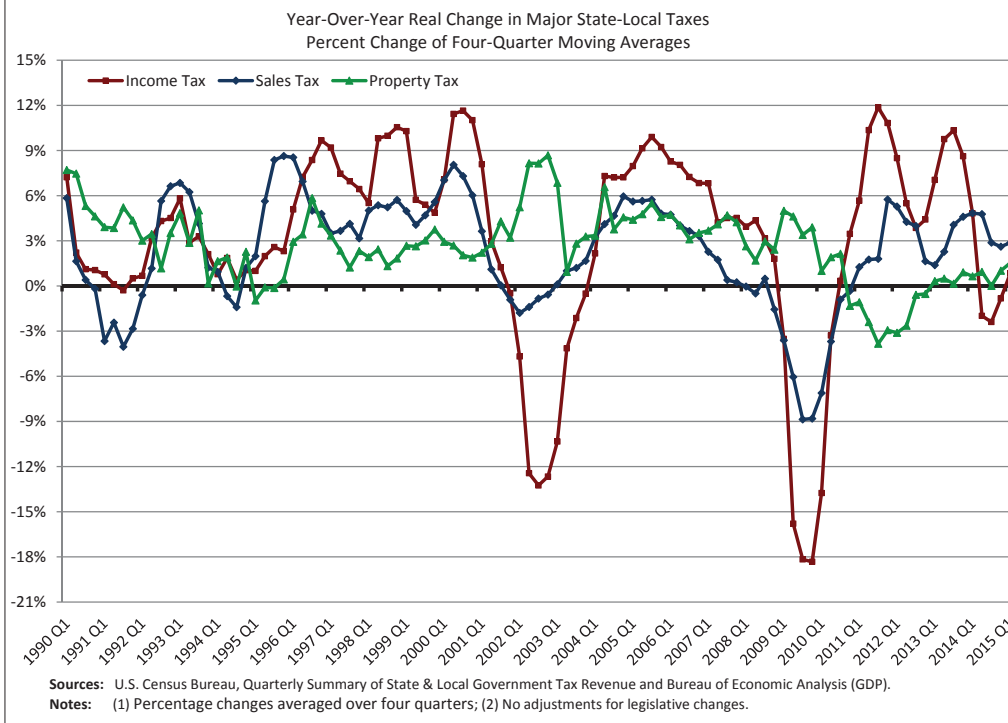
Local sales tax collections, the second largest contributor to overall local tax revenues, grew by 3.4 percent in the first quarter of 2015 in nominal terms. Collections from local individual income taxes, a much smaller contributor to overall local revenues, grew by 3.0 percent and collections from corporate income taxes declined by 13.5 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 grew by 0.8 percent in the first quarter of 2015. State-local sales tax collections grew by 2.9 percent in the first quarter of 2015. The four-quarter moving average of inflation-adjusted state-local property taxes grew by 1.5 percent, marking the ninth consecutive quarter of growth.

State Tax Revenue

Total state tax revenue grew by 5.8 percent in the first quarter of 2015 relative to a year ago, before adjustments for inflation and

Figure 3. Personal Income Taxes Rebound in the First Quarter



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 7.1 and 3.3 percent, respectively, while the sales tax and motor fuel tax collections grew by 5.2 and 4.4 percent, respectively. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Forty-three states reported growth in total tax revenue during

the first quarter of 2015, with ten states reporting double-digit growth (see Tables 7 and 8 on pages 16-17). All regions reported growth in overall state tax collections. The Great Lakes region showed the strongest growth at 7.7 percent and the Mid-Atlantic region showed the weakest growth at 3.2 percent in the first quarter of 2015.

Preliminary figures collected by the Rockefeller Institute for the April-June quarter of 2015 indicate that all major sources of tax revenues grew.⁴ Total tax collections in forty-six early reporting states grew by 7.6 percent, while individual income and sales tax collections grew by 14.3 and 4.1 percent, respectively. The April-June quarter is when tax returns for the prior year are filed in most states, and the double-digit growth in the income tax appears to reflect the strong stock market in 2014.

Personal Income Tax

In the first quarter of 2015, personal income tax revenue made up at least a third of total tax revenue in twenty-two states, and was larger than the sales tax in twenty-two states. Personal income tax revenues grew by 7.1 percent in the first quarter of 2015 compared to the same period in 2014. Personal income tax collections were 23.5 percent higher than in the first quarter of 2008, the recessionary peak for first quarter income tax revenue. Inflation-adjusted personal income tax collections were 11.5 percent above the first quarter of 2008.

The resumed growth in personal income tax collections is attributable to the disappearing impact of the federal fiscal cliff as

Table 1. Quarterly State Tax Revenue

Quarter	Year-Over-Year Percent Change		
	Total Nominal Change	Inflation Rate	Adjusted Real Change
2015 Q1	5.8	1.0	4.7
2014 Q4	5.8	1.3	4.4
2014 Q3	4.3	1.8	2.5
2014 Q2	(0.9)	1.9	(2.7)
2014 Q1	0.3	1.6	(1.3)
2013 Q4	3.2	1.6	1.6
2013 Q3	5.3	1.5	3.7
2013 Q2	10.1	1.6	8.3
2013 Q1	9.8	1.8	7.9
2012 Q4	5.6	1.9	3.6
2012 Q3	3.5	1.7	1.8
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

Quarter	Year-Over-Year Percent Change				
	PIT	CIT	General Sales	Motor Fuel	Total
2015 Q1	7.1	3.3	5.2	4.4	5.8
2014 Q4	8.6	9.5	7.3	2.4	5.8
2014 Q3	4.2	7.6	6.4	0.7	4.3
2014 Q2	(6.5)	(1.4)	4.6	4.0	(0.9)
2014 Q1	(0.6)	8.3	1.9	2.8	0.3
2013 Q4	0.7	2.8	5.2	3.5	3.2
2013 Q3	5.1	1.4	6.3	2.9	5.3
2013 Q2	18.3	10.5	12.0	2.1	10.1
2013 Q1	18.1	9.4	5.6	(1.4)	9.8
2012 Q4	10.6	3.0	2.7	1.3	5.6
2012 Q3	5.4	8.4	1.8	2.1	3.5
2012 Q2	5.9	(3.1)	1.7	1.7	3.5
2012 Q1	4.3	4.0	5.0	1.0	3.9
2011 Q4	2.9	(3.3)	2.9	0.7	3.1
2011 Q3	9.2	0.9	2.4	(0.2)	5.4
2011 Q2	15.3	18.2	6.1	7.4	11.2
2011 Q1	12.4	3.7	6.4	13.3	10.1
2010 Q4	10.8	12.1	5.5	11.8	8.2
2010 Q3	4.3	1.4	4.5	10.7	5.6
2010 Q2	1.5	(18.9)	5.7	4.1	2.2
2010 Q1	3.8	0.3	0.1	(0.1)	3.4
2009 Q4	(4.1)	0.7	(4.8)	(1.5)	(3.1)
2009 Q3	(11.1)	(21.4)	(10.0)	2.3	(10.7)
2009 Q2	(27.4)	3.0	(9.4)	(1.5)	(16.2)
2009 Q1	(19.2)	(20.2)	(8.4)	(3.6)	(12.2)
2008 Q4	(1.4)	(23.0)	(5.3)	(5.0)	(3.9)
2008 Q3	0.7	(13.2)	4.7	(5.0)	2.7
2008 Q2	7.8	(7.0)	1.0	(3.1)	5.3
2008 Q1	5.6	(1.4)	0.7	1.1	2.9
2007 Q4	2.4	(14.5)	4.0	1.8	3.1
2007 Q3	6.5	(4.3)	(0.7)	1.9	2.9
2007 Q2	9.2	1.7	3.5	0.2	5.5
2007 Q1	8.5	14.8	3.1	0.0	5.2
2006 Q4	4.4	12.6	4.7	6.4	4.2
2006 Q3	6.6	17.5	6.7	0.6	5.9
2006 Q2	18.8	1.2	5.2	5.3	10.1
2006 Q1	9.3	9.6	7.0	3.5	7.1
2005 Q4	6.7	33.4	6.4	(0.5)	7.9
2005 Q3	10.2	24.4	8.3	11.4	10.2
2005 Q2	19.7	64.1	9.1	5.3	15.9
2005 Q1	13.1	29.8	7.3	6.3	10.6
2004 Q4	8.8	23.9	10.7	5.2	9.4
2004 Q3	5.8	25.2	7.0	(0.4)	6.5
2004 Q2	15.8	3.9	9.5	7.1	11.2
2004 Q1	7.9	5.4	9.1	6.0	8.1
2003 Q4	7.6	12.5	3.6	3.8	7.0
2003 Q3	5.4	12.6	4.7	1.1	6.3
2003 Q2	(3.1)	5.1	4.6	(0.5)	2.1
2003 Q1	(3.3)	8.3	2.4	(0.0)	1.6
2002 Q4	0.4	34.7	1.8	2.6	3.4
2002 Q3	(3.4)	7.4	2.4	3.9	1.6
2002 Q2	(22.3)	(12.3)	0.1	3.0	(9.4)
2002 Q1	(14.7)	(15.7)	(1.4)	0.9	(6.1)
2001 Q4	(2.5)	(34.0)	1.8	1.5	(1.1)
2001 Q3	(0.0)	(27.2)	2.3	6.5	0.5
2001 Q2	3.7	(11.0)	(0.8)	6.6	1.2
2001 Q1	4.6	(8.4)	1.8	4.9	2.7

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

well as to the strong stock market in 2014, which gained 17.5 percent as measured by the calendar-year average of the S&P 500 Index.⁵ The stock market has been very volatile in the last month and as of this writing is down more than 4 percent since the start of the calendar year. However, the calendar-year average to date is more than 7 percent above the average for 2014 because the market stayed high for months before beginning its fall. It is not at all clear what this will mean for tax revenue — many stocks sold early in the year likely had gains, but stocks sold more recently likely had smaller gains or outright losses. In any event, the falling market of the last month sends up a caution flag for state personal income tax revenue.

All regions reported growth in personal income tax collections in the first quarter of 2015, with the Southwest and New England regions showing the strongest growth at 12.7 and 11.3 percent, respectively. The Mid-Atlantic region had the weakest growth in personal income tax collections at 3.0 percent.

Overall, thirty-eight states reported growth in personal income tax collections for the quarter with eighteen states reporting double-digit growth. The following five states reported declines in personal income tax collections: Arkansas, Delaware, Illinois, Kansas, and Nebraska. The declines in these states were partially attributable to legislative changes that cut income tax rates, re-structured tax brackets, and made other changes.

The largest dollar value increase was in California, where personal income tax collections grew by \$1.5 billion or 9.4 percent. The largest dollar-value declines were in Illinois, where income tax collections declined by \$524 million or 11.6 percent. The declines in Illinois are at least partially attributable to the expiration of temporary income tax increases that were adopted in 2011. The tax rate sunset and went from 5.0 percent to 3.75 percent as of January 1, 2015.

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. In this report we provide detailed income tax data for the first quarter of 2015, as well as preliminary data for the second quarter of 2015.

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 January-March 2015 quarter increased by 2.1 percent. In addition, preliminary data for the April-June 2015 quarter show further growth in

Table 3. Personal Income Tax Withholding, By State

Last Four Quarters, Percent Change

	2014		2015	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
	United States	4.8	6.1	2.1
New England	4.7	4.9	3.9	5.0
Connecticut	5.2	5.5	3.0	2.3
Maine	2.4	4.2	3.7	5.5
Massachusetts	4.8	4.9	5.1	6.3
Rhode Island	5.5	5.0	2.9	5.2
Vermont	2.4	2.4	(7.1)	3.9
Mid-Atlantic	6.5	7.8	1.3	6.0
Delaware	3.1	3.8	(4.4)	5.3
Maryland	3.3	4.4	4.1	ND
New Jersey	13.9	14.8	(2.0)	6.6
New York	6.3	7.1	1.8	6.5
Pennsylvania	3.8	7.9	(0.1)	3.7
Great Lakes	1.1	3.6	(3.7)	(4.8)
Illinois	3.8	5.6	(15.2)	(21.0)
Indiana	6.0	7.5	4.0	3.9
Michigan	(0.3)	5.3	3.3	4.3
Ohio	(1.7)	4.0	3.8	1.7
Wisconsin	(5.2)	(6.4)	(2.4)	1.3
Plains	5.5	5.5	6.4	5.3
Iowa	5.8	6.8	6.2	4.8
Kansas	2.2	(0.4)	1.8	(0.3)
Minnesota	5.2	5.3	6.2	7.4
Missouri	6.7	6.0	7.4	6.1
Nebraska	5.3	6.3	6.7	5.1
North Dakota	14.0	28.4	26.6	(5.4)
Southeast	0.7	2.2	2.9	5.5
Alabama	4.8	4.0	5.3	4.6
Arkansas	5.7	3.9	4.5	(5.1)
Georgia	4.7	8.4	3.7	5.5
Kentucky	5.7	6.9	3.7	7.3
Louisiana	(0.4)	2.8	8.9	3.4
Mississippi	7.0	3.9	1.3	3.0
North Carolina	(14.6)	(11.7)	(0.8)	7.6
South Carolina	3.2	7.3	2.7	5.6
Virginia	6.3	6.0	2.6	6.8
West Virginia	6.2	4.6	4.5	6.1
Southwest	5.6	7.0	0.3	3.4
Arizona	1.6	3.9	3.2	4.6
New Mexico	10.1	16.8	(14.8)	ND
Oklahoma	9.0	7.0	3.1	1.9
Rocky Mountain	7.2	8.6	6.6	7.0
Colorado	8.1	9.4	7.0	6.6
Idaho	6.3	6.6	7.4	7.3
Montana	6.7	11.3	6.3	4.8
Utah	6.1	7.1	5.3	8.3
Far West	9.5	9.9	4.2	11.7
California	10.0	10.4	3.7	12.6
Hawaii	6.2	8.6	2.4	8.5
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.

withholding at 5.0 percent for the thirty-nine states for which we have data, out of forty-one states with broad-based personal income taxes. The growth in withholding throughout in fiscal year 2015 averaged 4.5 percent. Wages are the largest component of taxable income by far. The growth in overall personal income tax collections is attributable to the growth in withholding taxes on wages as well as growth in taxes on investment income.

Thirty-five states reported growth in withholding for the second quarter of 2015, while the following four states reported declines: Arkansas, Kansas, Illinois, and North Dakota. The largest decline was in Illinois at 21 percent, mostly driven by the expiration of the temporary personal income tax increase. California had the strongest growth in withholding at 12.6 percent.

All regions but the Great Lakes had growth in withholding. The Far West had the greatest growth at 11.8 percent, while the Great Lakes region reported declines of 4.8 percent. The rapid growth in the Far West region is mostly attributable to the strong growth in withholding in California, while the decline in the Great Lakes region is solely attributable to declines in withholding in Illinois.

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 first and second quarters of 2015, estimated payments accounted for roughly 24 and 27 percent of total 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 some states the first estimated payment includes payments with extension requests for income tax

Table 4. Estimated Payments/Declarations, By State

State	Year-Over-Year Percent Change			
	April (1st payment, 2014)	April-June (1st & 2nd payments, 2014)	April (1st payment, 2015)	April-June (1st & 2nd payments, 2015)
Average (Mean)	(15.0)	(3.4)	21.6	17.9
Median	(1.5)	(0.8)	14.2	13.4
Alabama	(13.0)	(6.9)	19.5	14.5
Arizona	8.0	2.8	22.3	24.8
Arkansas	8.1	0.1	10.0	11.0
California	13.9	16.8	17.1	17.8
Colorado	(23.9)	(15.6)	28.1	24.1
Connecticut	1.9	6.1	13.5	5.7
Delaware	(2.9)	10.0	38.6	21.5
Georgia	(0.1)	4.0	19.3	18.4
Hawaii	(54.6)	(17.6)	(14.9)	16.0
Illinois	(8.6)	(1.7)	10.0	10.5
Indiana	17.0	8.7	13.8	14.4
Iowa	(8.0)	(16.0)	16.6	17.3
Kansas	(46.7)	(51.2)	23.2	32.5
Kentucky	(55.0)	(11.6)	126.7	22.8
Louisiana	7.1	(2.2)	(0.6)	(4.3)
Maine	7.9	2.0	37.7	24.0
Maryland	3.2	9.7	(10.0)	11.4
Massachusetts	0.4	3.8	11.8	3.8
Michigan	(3.6)	(5.3)	23.7	21.3
Minnesota	(14.3)	(2.6)	28.0	19.8
Mississippi	63.2	(5.4)	82.0	5.6
Missouri	(3.1)	1.0	14.0	15.2
Montana	5.1	5.0	6.6	17.4
Nebraska	(8.4)	(4.6)	13.9	11.6
New Jersey	3.3	5.9	12.1	11.6
New York	(30.7)	(21.5)	31.5	27.4
North Carolina	8.5	6.2	(7.0)	13.6
North Dakota	(60.7)	(52.4)	20.7	12.1
Ohio	(26.6)	(32.8)	(1.6)	3.9
Oklahoma	(8.8)	(5.5)	11.4	6.1
Oregon	25.6	9.3	17.7	11.9
Pennsylvania	2.4	1.4	12.1	15.2
Rhode Island	5.7	43.2	8.7	(22.1)
South Carolina	(6.0)	(3.3)	14.4	12.2
Vermont	8.0	5.6	9.4	12.8
Virginia	28.8	(4.3)	(28.9)	13.2
West Virginia	(5.0)	3.0	14.9	11.6
Wisconsin	(22.7)	(13.8)	16.1	12.0

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

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

returns on the prior year, and thus is related partly to income in that prior year. Subsequent payments generally are related to income for the current year, although often that relationship is quite loose. In the thirty-eight states for which we have complete data, the median payment was up by 14.2 percent for the first payment and by 13.4 percent for the first two payments combined compared to the previous year (see Table 4). Declines were recorded in six of the thirty-eight states for the first payment, and in two states for the first and second payments combined. The median growth of 13.4 percent reported for the combined first and second payments of tax year 2015 is a significant improvement compared to the median decline of 0.8 percent reported for the first and second payments of tax year 2014.

The rather strong growth in the first and second payments of this year versus last year is not surprising. Last year the estimated payments were depressed mostly as a result of the federal tax policy related to the fiscal cliff. Estimated payments regained their strength due to the disappearing effect of the federal fiscal cliff as well as due to the strong stock market.

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. Final payments in the second quarter generally are related to income earned in the prior calendar year. In the first and second quarters of 2015, final payments accounted for roughly 6 and 25 percent of all personal income tax

revenues, respectively. Final payments with personal income tax returns in the thirty-nine states for which we have complete data grew by 12.4 and 20.1 percent, respectively, in the first and second quarters of 2015 compared to the same quarters of 2014.

Refunds

Personal income tax refunds paid by thirty-nine states declined by 3.5 percent in the first quarter of 2015 compared to the same quarter of 2014. Preliminary data from thirty-eight states show a decline of 1.0 percent in the second quarter of 2015. In total, states paid out about \$870 million less in refunds in the first quarter of 2015 compared to the same quarter in 2014 and about \$195 million less in the second quarter of 2015. Overall, twenty-one states paid out less refunds in the first quarter of 2015 compared to the same quarter of 2014. According to preliminary data, fifteen states paid out less refunds in the second quarter of 2015 compared to the same quarter of 2014.

General Sales Tax

State sales tax collections in the January-March quarter showed growth of 5.2 percent from the same period in 2014, which is significantly stronger than the 1.9 percent growth rate reported a year ago, in the first quarter of 2014. Sales tax collections have been growing for twenty-one straight quarters now with an average quarterly growth of 4.7 percent. Sales tax collections were above the recessionary peak for the quarter in nominal terms, ending 16 percent higher than in the first quarter of 2008. Inflation-adjusted figures indicate that sales tax were only 4.7 percent above the recessionary peak reported in the first quarter of 2008. Overall, the average growth rate in sales tax collections is low by historical standards. Many consumers are more cautious in their discretionary spending in the post Great Recession period and have had little wage growth to support spending growth. In addition, the overall weakness in sales tax collections is at least partially attributable to tax dollars lost in online retail sales. According to one set of projections, states lost an estimated \$52 billion from 2007 to 2012 due to the difficulty in collecting sales tax owed on e-commerce sales.⁶ The online sales tax loophole has been an ongoing debate in the states and some states adopted several measures such as enactment of nexus or “Amazon” laws, to address the issue. However, state efforts alone have had limited effectiveness and Congressional action may be needed to fully stem revenue losses.

All regions reported growth in sales tax collections in the first quarter of 2015 compared to the same quarter in 2014. The Southwest region reported the greatest increase at 8.3 percent, while the Mid-Atlantic region reported the softest growth at 3.1 percent.

Forty-two of forty-five states with broad-based sales taxes reported growth for the quarter and three states — Florida, Nebraska, and South Carolina — reported declines. Four states

reported double-digit growth in sales tax collections with North Dakota reporting the greatest growth at 32.4 percent.

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 3.3 percent in the first quarter of 2015 compared to a year earlier. Three regions — Far West, New England, and Plains — reported declines in corporate income tax collections. The Southwest region reported the largest growth in corporate income tax collections at 12.7 percent in the first quarter of 2015, while the Rocky Mountain region reported the softest growth at 0.2 percent. The Plains region reported the largest decline at 2.9 percent.

Among forty-six states that have a corporate income tax, twenty-nine states reported growth, with seventeen enjoying double-digit gains. Seventeen states reported declines for the first quarter of 2015 compared to the same quarter of the previous year, of which eight states reported double-digit declines.

Motor Fuel Sales Tax

Motor fuel sales tax collections in the first quarter of 2015 grew by 4.4 percent from the same period in 2014, which is significantly stronger than the growth rates in 2014. Motor fuel sales tax collections have fluctuated greatly in the post Great Recession period. Economic growth, changing gas prices, general increases in the fuel-efficiency of vehicles, and changing driving habits of Americans all affect gasoline consumption and motor fuel taxes. In addition, tax collections are affected by changes in state motor fuel tax rates. Motor fuel sales tax collections declined during the recession but have been growing for eight straight quarters, with an average quarterly growth of 2.8 percent.

All regions but the Plains and the Far West reported growth in motor fuel sales tax collections in the first quarter of 2015 compared to the same quarter in 2014. The Mid-Atlantic region reported the largest increase at 17.8 percent, while the New England region reported the softest growth at 0.7 percent. The Plains and Far West regions reported declines at 3.0 and 2.8 percent, respectively.

Among individual states, thirteen states reported declines in motor fuel sales tax collections in the first quarter of 2015, with four states reporting double-digit declines. Among the states reporting growth, six states reported double-digit growth, with Pennsylvania reporting the largest growth at 38.7 percent.

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

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

	Property tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators license taxes	Other taxes
Nominal collections (mlns), last 12 months	\$14,473	\$17,513	\$6,253	\$26,585	\$133,324
2015 Q1	2.3	(3.9)	0.5	1.1	0.9
2014 Q4	(0.2)	(4.5)	1.6	(0.5)	(1.6)
2014 Q3	3.3	(3.5)	1.6	0.9	(0.8)
2014 Q2	5.4	0.7	0.1	1.3	(0.2)
2014 Q1	5.3	2.0	1.5	1.0	(2.5)
2013 Q4	5.0	3.8	(0.6)	0.5	0.8
2013 Q3	3.4	3.7	(2.3)	(0.4)	0.8
2013 Q2	(0.2)	(0.9)	(1.8)	(0.8)	0.7
2013 Q1	(3.2)	(1.5)	(0.0)	0.3	4.2
2012 Q3	(4.8)	(2.5)	2.3	2.1	2.5
2012 Q3	(9.2)	(3.3)	3.5	3.1	3.5
2012 Q2	(10.5)	(2.2)	3.1	3.1	4.8
2012 Q1	(10.7)	(2.5)	0.7	2.1	7.7
2011 Q4	(11.0)	(1.8)	(0.5)	1.8	12.0
2011 Q3	(7.6)	(1.0)	0.5	0.3	12.3
2011 Q2	(3.9)	0.7	1.5	1.5	12.3
2011 Q1	2.4	2.7	3.1	3.3	9.4
2010 Q4	8.1	3.1	3.2	4.0	7.4
2010 Q3	13.3	2.2	3.0	5.6	4.4
2010 Q2	13.4	0.6	2.2	3.9	(2.1)
2010 Q1	9.9	(1.1)	0.8	1.5	(9.0)
2009 Q4	6.1	(1.5)	0.6	0.2	(13.5)
2009 Q3	(0.5)	0.4	0.1	(1.2)	(13.2)
2009 Q2	(2.0)	1.3	(0.1)	(0.9)	(6.7)
2009 Q1	(3.7)	2.6	0.4	(0.4)	3.9
2008 Q4	(2.8)	3.1	0.5	(1.1)	7.5
2008 Q3	1.8	3.5	(0.1)	(0.5)	9.9
2008 Q2	3.4	5.9	0.6	(0.3)	7.8
2008 Q1	4.1	6.2	0.6	(1.0)	3.4
2007 Q4	3.6	6.2	0.6	(0.4)	2.4
2007 Q3	1.6	4.0	1.7	(0.8)	(0.3)
2007 Q2	(0.1)	0.6	1.5	(0.8)	(1.2)
2007 Q1	1.8	1.7	0.7	0.6	(0.9)
2006 Q4	0.3	2.8	1.2	1.1	(0.2)
2006 Q3	(0.2)	5.5	1.3	1.0	2.1
2006 Q2	(0.0)	9.1	1.3	0.8	4.3
2006 Q1	0.9	7.0	2.5	0.2	5.3
2005 Q4	2.0	5.5	1.7	0.4	7.2
2005 Q3	3.5	4.3	(0.1)	2.0	6.4
2005 Q2	3.6	2.2	(0.5)	2.8	5.0
2005 Q1	1.8	3.0	(2.3)	3.7	5.8
2004 Q4	(4.8)	3.6	(1.4)	5.6	6.1
2004 Q3	(2.3)	3.6	0.1	6.1	7.6
2004 Q2	3.6	4.9	0.5	6.7	9.0
2004 Q1	1.1	10.6	4.4	5.6	7.6
2003 Q4	8.7	17.2	4.1	4.0	5.7
2003 Q3	5.7	26.3	2.4	2.9	3.9
2003 Q2	(0.9)	35.9	3.2	2.8	2.7
2003 Q1	(4.9)	27.2	0.7	3.7	2.3
2002 Q4	(4.8)	17.3	0.0	2.9	2.1
2002 Q3	(6.7)	5.6	2.7	2.6	2.6
2002 Q2	(4.3)	(5.9)	(0.1)	0.6	3.4
2002 Q1	5.1	(5.0)	(0.2)	(1.2)	2.1
2001 Q4	2.7	(1.5)	0.5	(2.9)	2.5
2001 Q3	(0.4)	2.5	(1.4)	(3.4)	1.4
2001 Q2	(5.1)	7.5	1.6	(0.7)	0.8
2001 Q1	(12.6)	8.3	1.3	2.3	3.5

Source: U.S. Census Bureau.

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 first quarter of 2015, states collected \$35.9 billion from smaller tax sources that comprised 16 percent of total state government tax collections.

Revenues from smaller tax sources showed a mixed picture in the first quarter of 2015. State property taxes, a relatively small revenue source for states, increased by 2.3 percent in real terms. Collections from tobacco product sales showed declines at 3.9 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 0.5 and 1.1 percent, respectively, in the first quarter of 2015.

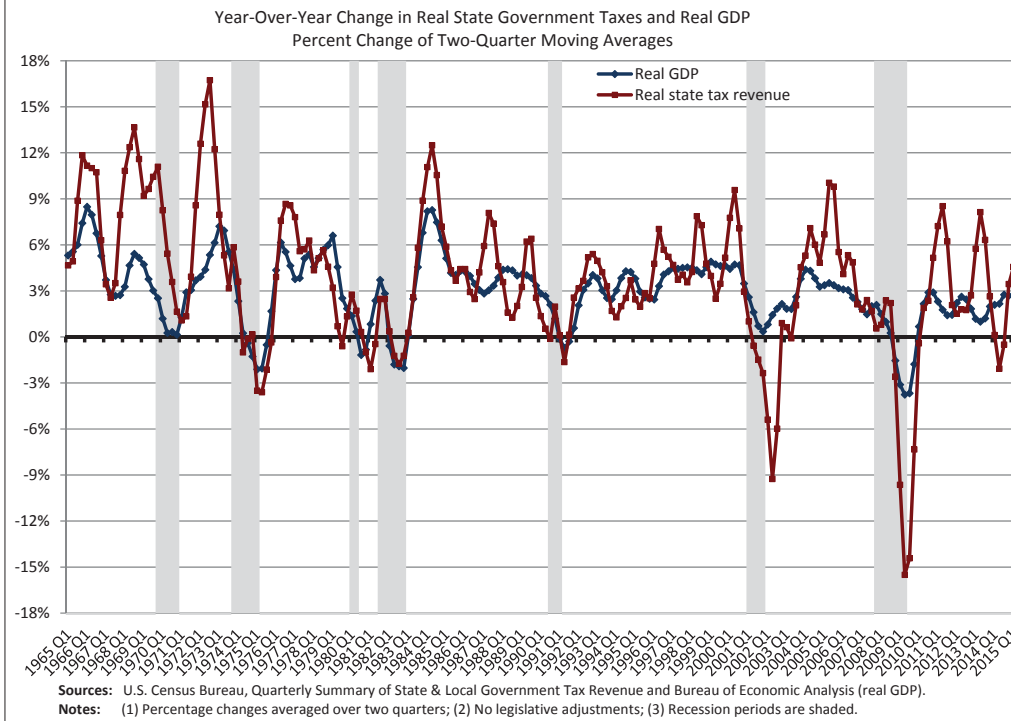
Underlying Reasons for Trends

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.

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.

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



Tax revenue is usually related to economic growth. As shown in Figure 4, after two consecutive quarter declines real state tax revenue resumed growth in the fourth quarter of 2014 and the first quarter of 2015 on this moving-average basis. Real Gross Domestic Product (GDP) continued showing uninterrupted growth for five years and grew by 2.7 percent in the first quarter of 2015. 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 in the most recent years. 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 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 second quarter of 2015. For the nation as a whole, employment grew by 2.0 percent in the second quarter of 2015 compared to the same period of 2014. On a year-over-year basis, employment grew in all states but West Virginia in the second quarter of 2015. Among individual states, Utah reported the largest growth at 4.2 percent in the second quarter of 2015, followed by Washington at 3.7 percent. In total, fifteen states reported growth of over 2.0 percent in the second quarter of 2015.

Table 6. Nonfarm Employment, By State

Last Four Quarters, Year-Over-Year Percent Change

	2014		2015	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
United States	2.0	2.0	2.3	2.0
New England	1.2	1.3	1.5	1.6
Connecticut	0.5	1.3	1.6	1.4
Maine	0.4	0.2	0.3	0.5
Massachusetts	1.7	1.7	1.8	2.0
New Hampshire	1.2	1.0	1.2	1.2
Rhode Island	1.4	0.7	1.2	1.0
Vermont	1.3	1.3	1.7	1.6
Mid-Atlantic	1.3	1.1	1.4	1.4
Delaware	1.9	1.8	2.0	1.8
Maryland	1.0	1.2	1.6	1.7
New Jersey	0.7	0.7	1.1	1.0
New York	1.9	1.2	1.7	1.6
Pennsylvania	0.9	1.1	1.1	1.0
Great Lakes	1.4	1.3	1.7	1.5
Illinois	1.1	1.3	1.3	0.8
Indiana	1.6	1.4	2.1	1.9
Michigan	1.8	1.6	2.1	2.3
Ohio	1.5	1.0	1.6	1.3
Wisconsin	1.2	1.4	1.8	1.5
Plains	1.4	1.2	1.6	1.1
Iowa	0.9	1.5	1.7	1.5
Kansas	1.5	1.3	1.2	0.7
Minnesota	1.8	1.1	1.6	1.5
Missouri	1.0	0.8	1.6	0.7
Nebraska	1.2	0.8	1.2	0.6
North Dakota	4.1	4.0	3.8	1.1
South Dakota	1.6	0.9	1.1	1.8
Southeast	2.1	2.3	2.5	2.2
Alabama	1.1	1.6	1.8	1.3
Arkansas	1.2	1.8	2.2	2.0
Florida	3.3	3.4	3.7	3.5
Georgia	3.3	3.4	3.5	2.7
Kentucky	1.7	1.8	2.2	2.1
Louisiana	1.5	1.5	1.0	0.6
Mississippi	0.8	0.6	0.7	1.0
North Carolina	2.2	2.4	3.0	2.5
South Carolina	2.3	2.5	3.0	2.5
Tennessee	2.3	2.0	2.0	2.0
Virginia	0.5	0.7	0.9	1.1
West Virginia	(0.5)	(0.4)	(0.1)	(1.6)
Southwest	2.6	2.8	2.8	2.2
Arizona	1.8	1.9	2.6	2.2
New Mexico	1.1	1.3	1.6	1.3
Oklahoma	1.1	1.4	1.4	0.8
Texas	3.1	3.3	3.2	2.5
Rocky Mountain	2.9	2.6	3.0	2.7
Colorado	3.5	3.1	3.1	2.4
Idaho	2.8	2.2	2.9	3.2
Montana	1.0	0.4	0.4	0.7
Utah	2.9	3.0	4.1	4.2
Wyoming	1.4	1.2	1.6	0.2
Far West	2.9	2.9	3.1	3.1
Alaska	0.2	0.3	1.1	0.5
California	3.1	3.0	3.2	3.0
Hawaii	0.9	0.3	0.9	1.3
Nevada	3.6	3.6	3.3	3.3
Oregon	2.8	3.1	3.5	3.3
Washington	3.0	3.0	3.3	3.7

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

All regions reported growth in employment in the second quarter of 2015, but job gains are not evenly distributed among the regions. The Plains region reported the weakest growth in employment at 1.1 percent. The Far West and Rocky Mountain regions reported the largest increase in employment at 3.1 and 2.7 percent, respectively. These employment data are compared to the same period a year ago rather than to preceding months.

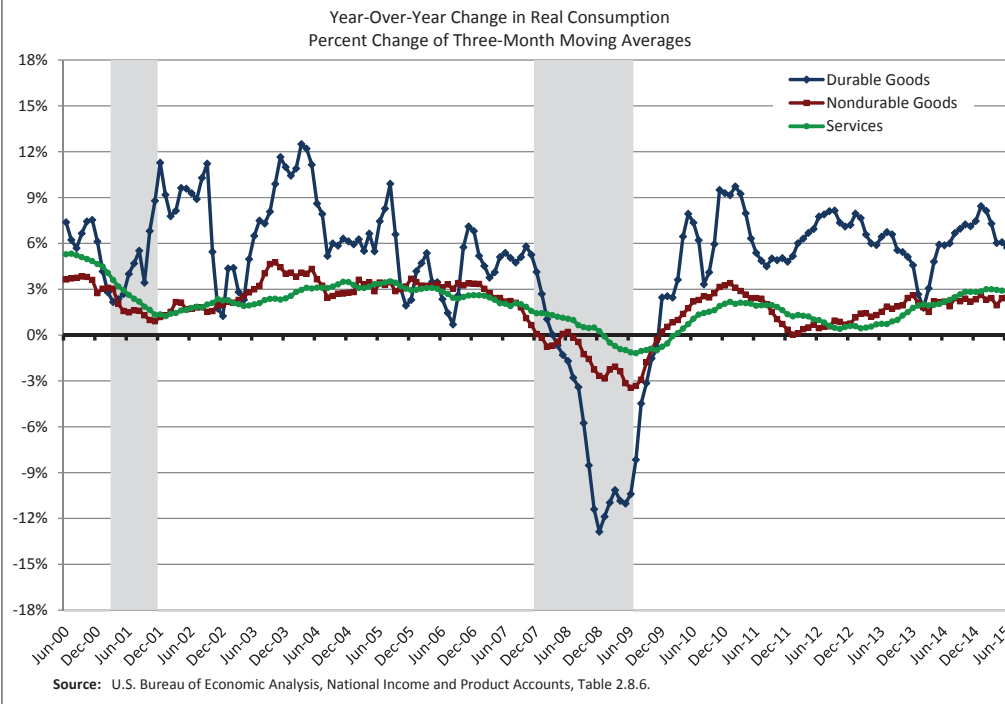
Economists at the Philadelphia Federal Reserve Bank developed broader and very timely measures known as “coincident economic indexes” intended to provide information about current economic activity in individual states. Unlike leading indexes, these measures are not designed to predict where the economy 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 June 2015, economic activity nationwide increased by 0.7 percent compared to three months earlier and by 3.6 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 since 2011 and varied between forty-six 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 throughout 2014 and the first half of 2015. 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 upward throughout 2014 and downward in the first half of 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

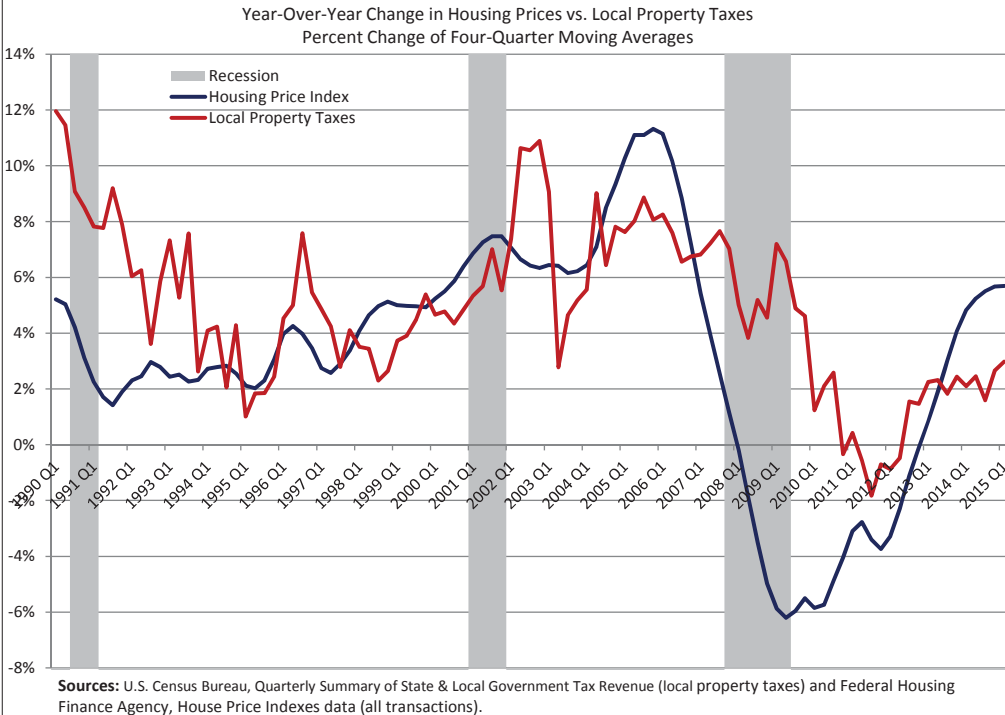
Figure 5. Consumption of Services and Nondurable Goods Is Stagnant



Great Recession led to a significant slowdown in property tax growth and then to actual decline in fiscal years 2011 and 2012.⁸

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 first quarter of 2015. In the first quarter of 2015, the housing price index grew by 5.7 percent. This is the ninth consecutive quarter of growth follows twenty consecutive quarterly declines, which is highly encouraging. Figure 6 also shows that the decline in local property taxes lagged behind the decline in housing prices. The four-quarter moving average of year-over-year change in local property taxes showed 3.0 percent

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



growth in the first quarter of 2015, marking eleventh consecutive quarter growth.

	January-March 2014					January-March 2015				
	PIT	CIT	Sales	Motor Fuel	Total	PIT	CIT	Sales	Motor Fuel	Total
United States	73,054	11,047	65,258	10,051	208,146	78,211	11,410	68,648	10,492	220,148
New England	5,402	1,215	2,854	432	12,611	6,014	1,192	2,993	435	13,453
Connecticut	1,843	141	954	118	3,827	1,931	211	1,010	122	3,882
Maine	237	34	270	56	771	279	26	280	56	812
Massachusetts	2,991	834	1,326	176	6,049	3,448	714	1,388	181	6,676
New Hampshire	15	125	NA	36	839	18	134	NA	35	901
Rhode Island	194	53	210	23	671	214	76	221	20	712
Vermont	123	29	93	24	453	124	31	96	21	471
Mid-Atlantic	21,138	3,149	8,326	1,256	45,032	21,777	3,348	8,585	1,480	46,473
Delaware	385	59	NA	26	915	381	43	NA	9	927
Maryland	1,981	223	1,000	197	4,351	2,067	239	1,069	224	4,588
New Jersey	3,083	447	2,071	130	7,278	3,188	467	2,119	130	7,457
New York	13,124	1,906	3,060	379	22,418	13,536	2,053	3,146	390	23,060
Pennsylvania	2,565	513	2,196	524	10,071	2,606	546	2,251	727	10,441
Great Lakes	9,765	1,701	9,270	1,322	28,238	10,264	1,723	9,809	1,395	30,419
Illinois	4,506	1,105	1,970	296	10,046	3,982	1,056	2,069	318	9,622
Indiana	1,039	79	1,697	204	3,702	1,051	120	1,764	204	3,815
Michigan	1,249	266	1,840	153	4,454	1,829	253	1,999	164	6,621
Ohio	1,682	13	2,703	432	6,602	1,888	26	2,837	471	6,545
Wisconsin	1,289	238	1,060	236	3,434	1,514	268	1,141	239	3,816
Plains	5,372	684	4,414	772	14,762	5,540	664	4,669	749	15,358
Iowa	691	95	641	109	1,941	739	89	715	111	2,062
Kansas	798	74	740	106	2,031	742	69	756	109	2,342
Minnesota	2,130	348	1,259	209	5,226	2,211	371	1,298	210	5,435
Missouri	1,140	36	795	181	2,536	1,232	33	830	153	2,677
Nebraska	506	83	458	80	1,213	473	83	450	77	1,183
North Dakota	108	42	300	55	1,423	142	34	397	55	1,274
South Dakota	NA	6	222	32	392	NA	(14)	223	34	385
Southeast	9,909	1,887	15,629	2,854	39,119	10,983	2,060	16,149	2,995	41,679
Alabama	773	74	569	129	2,206	808	102	587	133	2,392
Arkansas	507	99	766	105	1,839	497	107	797	108	1,884
Florida	NA	394	5,538	875	9,120	NA	457	5,529	917	9,594
Georgia	1,775	234	1,265	278	4,088	1,896	256	1,324	302	4,332
Kentucky	768	98	761	211	2,565	840	129	786	200	2,673
Louisiana	550	88	741	142	2,246	578	(55)	780	144	2,115
Mississippi	321	193	817	95	1,806	507	211	832	113	2,140
North Carolina	2,147	223	1,432	441	5,185	2,630	208	1,707	462	6,004
South Carolina	325	108	726	121	1,622	387	100	673	130	1,651
Tennessee	19	222	1,837	195	3,057	21	369	1,917	205	3,342
Virginia	2,350	121	873	159	4,157	2,408	143	899	174	4,305
West Virginia	375	32	304	104	1,230	411	32	319	107	1,247
Southwest	1,307	263	9,449	1,109	18,977	1,474	296	10,236	1,168	19,657
Arizona	521	110	1,465	195	2,841	605	97	1,548	201	3,007
New Mexico	211	41	541	22	1,311	230	64	568	21	1,361
Oklahoma	576	112	631	105	1,993	638	135	657	114	2,056
Texas	NA	NA	6,813	787	12,831	NA	NA	7,462	832	13,233
Rocky Mountain	2,242	212	1,611	377	5,921	2,447	212	1,731	397	6,359
Colorado	1,245	118	641	156	2,708	1,350	97	716	148	2,885
Idaho	242	20	325	59	763	291	38	352	56	878
Montana	205	16	NA	49	545	225	20	NA	50	610
Utah	550	58	454	88	1,391	579	57	463	115	1,431
Wyoming	NA	NA	189	25	514	NA	NA	200	27	554
Far West	17,919	1,937	13,705	1,930	43,486	19,713	1,915	14,475	1,875	46,751
Alaska	NA	(28)	NA	7	321	NA	(39)	NA	9	54
California	16,214	1,881	9,116	1,491	32,914	17,731	1,835	9,576	1,366	35,550
Hawaii	347	11	747	22	1,465	464	13	782	22	1,641
Nevada	NA	NA	965	71	1,874	NA	NA	1,025	73	1,930
Oregon	1,358	73	NA	116	1,954	1,518	106	NA	119	2,159
Washington	NA	NA	2,877	224	4,959	NA	NA	3,092	286	5,417

Source: U.S. Census Bureau.

Table 8. Quarterly Tax Revenue By Major Tax
January-March, 2014-2015, Percent Change

	PIT	CIT	Sales	Motor Fuel	Total
United States	7.1	3.3	5.2	4.4	5.8
New England	11.3	(1.8)	4.9	0.7	6.7
Connecticut	4.8	49.3	5.8	4.1	1.4
Maine	17.7	(22.7)	3.6	(0.2)	5.2
Massachusetts	15.3	(14.4)	4.6	2.7	10.4
New Hampshire	21.3	8.0	NA	(1.1)	7.3
Rhode Island	10.7	45.1	4.8	(12.4)	6.1
Vermont	0.6	8.8	3.3	(13.8)	3.9
Mid-Atlantic	3.0	6.3	3.1	17.8	3.2
Delaware	(1.0)	(28.4)	NA	(65.0)	1.4
Maryland	4.3	7.2	7.0	13.6	5.4
New Jersey	3.4	4.6	2.3	(0.3)	2.5
New York	3.1	7.7	2.8	2.9	2.9
Pennsylvania	1.6	6.3	2.5	38.7	3.7
Great Lakes	5.1	1.3	5.8	5.6	7.7
Illinois	(11.6)	(4.4)	5.0	7.2	(4.2)
Indiana	1.1	51.3	4.0	0.0	3.0
Michigan	46.4	(4.7)	8.6	7.1	48.6
Ohio	12.3	103.4	5.0	9.0	(0.9)
Wisconsin	17.5	12.6	7.6	1.0	11.1
Plains	3.1	(2.9)	5.8	(3.0)	4.0
Iowa	7.0	(5.7)	11.6	2.0	6.2
Kansas	(7.0)	(6.7)	2.1	2.9	15.3
Minnesota	3.8	6.4	3.1	0.3	4.0
Missouri	8.1	(9.8)	4.5	(15.5)	5.6
Nebraska	(6.6)	0.0	(1.7)	(4.0)	(2.4)
North Dakota	31.8	(19.0)	32.4	0.5	(10.5)
South Dakota	NA	(341.9)	0.4	5.4	(2.0)
Southeast	10.8	9.2	3.3	4.9	6.5
Alabama	4.6	37.4	3.1	3.3	8.4
Arkansas	(1.8)	8.5	4.1	2.7	2.5
Florida	NA	16.1	(0.2)	4.8	5.2
Georgia	6.9	9.5	4.6	8.7	6.0
Kentucky	9.3	31.9	3.2	(5.3)	4.2
Louisiana	5.0	(162.3)	5.3	1.8	(5.8)
Mississippi	58.0	9.1	1.9	19.9	18.4
North Carolina	22.5	(6.5)	19.2	4.6	15.8
South Carolina	19.1	(7.5)	(7.3)	7.5	1.8
Tennessee	10.1	65.8	4.3	4.9	9.3
Virginia	2.5	17.7	2.9	9.6	3.6
West Virginia	9.6	1.3	4.6	2.9	1.5
Southwest	12.7	12.7	8.3	5.3	3.6
Arizona	16.2	(12.0)	5.7	2.9	5.8
New Mexico	9.2	58.3	5.1	(1.7)	3.8
Oklahoma	10.8	20.3	4.2	7.7	3.2
Texas	NA	NA	9.5	5.7	3.1
Rocky Mountain	9.1	0.2	7.5	5.2	7.4
Colorado	8.4	(17.7)	11.6	(5.1)	6.5
Idaho	20.2	92.5	8.3	(4.0)	15.2
Montana	10.1	27.0	NA	2.9	12.0
Utah	5.4	(2.5)	2.0	30.7	2.8
Wyoming	NA	NA	5.6	6.7	7.9
Far West	10.0	(1.2)	5.6	(2.8)	7.5
Alaska	NA	39.1	NA	32.3	(83.0)
California	9.4	(2.5)	5.1	(8.4)	8.0
Hawaii	33.8	22.0	4.8	1.3	12.0
Nevada	NA	NA	6.2	3.0	3.0
Oregon	11.7	44.0	NA	2.9	10.5
Washington	NA	NA	7.5	27.7	9.2

Source: U.S. Census Bureau.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the January-March 2015 quarter, enacted tax increases and decreases produced an estimated loss of \$492 million compared to the same period in 2014.⁹ 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 property tax freeze credit for homeowners is estimated to decrease personal income tax collections. Other major noticeable tax changes were introduced in Texas to provide tax relief, including a franchise tax rate reduction exemption and credits related to research and development equipment, telecommunications equipment, and data centers.

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 7.5 years following the start of each recession from 1980 forward.¹⁰ Real retail sales in the Great Recession (the solid red 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 June 2015, over seven years after the start of the Great Recession, they were only 5.2 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 7.5 years following the start of each recession from 1980 forward.¹¹ The last data point for the 2007 recession is June 2015. The employment finally attained its prerecession peak

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

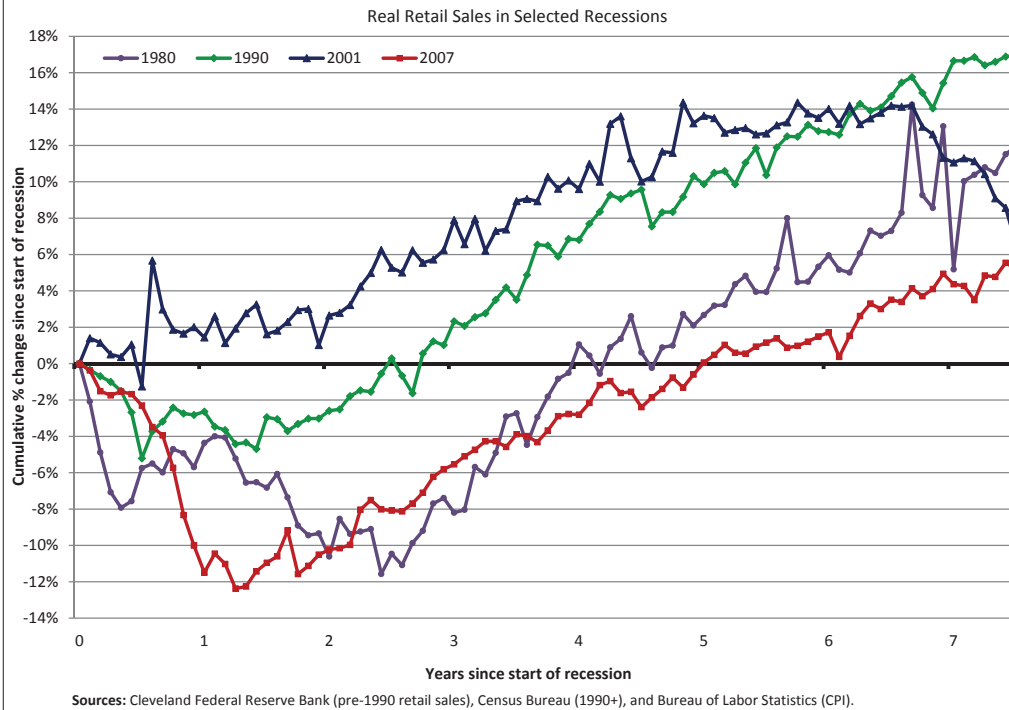
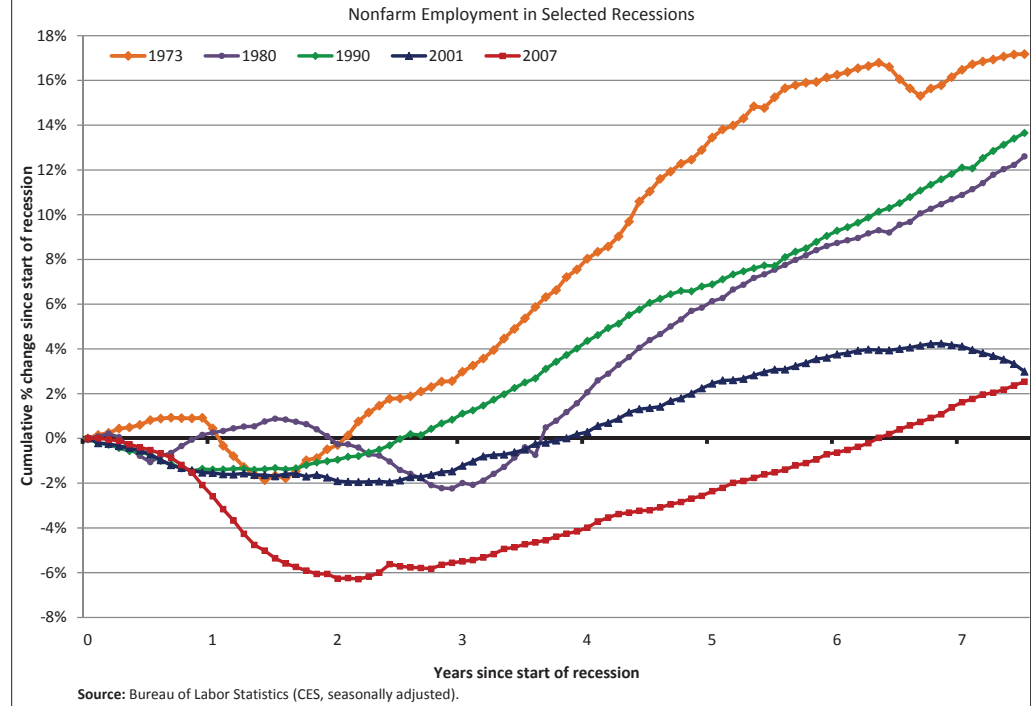


Figure 8. Employment Is Now 2.5 Percent Above The Precession Level



levels since May 2014. However, as the graph shows, the 2.5 percent employment growth as of June 2015 is still 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 a 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 data point for the 2001 recession is September 2008, which marked the tenth month of the Great Recession.

Tax Revenue Growth for State Fiscal Year 2015 and the Outlook for 2016

Through the first three quarters of fiscal 2015, states collected \$638 billion in total tax revenues, a gain of 5.3 percent from \$605 billion in the same period of fiscal 2014, according to Census data (see Tables 9 and 10). The personal income tax and corporate income tax both showed growth at 6.7 and 6.5 percent, respectively, in the first three quarters of fiscal 2015 compared to the same period of 2014. Growth was also reported in sales tax and motor fuel sales tax collections at 6.3 and 2.4 percent, respectively. All regions had growth in overall tax collections in the first three quarters of fiscal 2015, with the Rocky Mountain region having the greatest growth at 8.3 percent, while the Southeast region had the weakest growth at 4.0 percent.

Forty-seven states reported growth in the first three quarters of fiscal 2015 while three states reported declines: Alaska, Illinois, and Connecticut. The greatest decline for the first three quarters of fiscal 2015 was reported in Alaska at 70.7 percent, mostly due to declining oil prices and the state's high reliance on revenues generated from oil and gas. Declines in Connecticut and Illinois were less than one percent each.

Forty-four of forty-five states with broad-based sales taxes reported growth in sales tax collections, with seven states reporting double-digit growth. South Carolina was the only state to report declines in sales tax collections in the first three quarters of fiscal 2015. Finally, thirty-nine states reported growth in personal income tax collections, while the following four states reported declines: Kansas, Illinois, North Carolina, and Wisconsin. Declines in personal income tax collections in these states are at least partially attributable to the legislated changes.

Preliminary data for forty-six states for the April-June quarter of 2015 indicate that total tax revenues increased by 7.6 percent compared to the same period of 2014. The growth was particularly strong in personal income tax collections at 14.3 percent, reflecting the strong stock market in 2014. In a number of states personal income tax collections were above the forecasts. Growth was also reported in sales tax and corporate income tax collections at 4.1 and 4.2 percent, respectively. Table 11 shows state-by-state changes in major tax revenues during the second quarter of 2015 compared to the same quarter a year earlier. According to

Table 9. State Tax Revenue, FYTD 2014 and FYTD 2015 (\$ in millions)

	July 2013-March 2014					July 2014-March 2015				
	PIT	CIT	Sales	Motor Fuel	Total	PIT	CIT	Sales	Motor Fuel	Total
United States	211,937	28,955	192,402	31,290	605,293	226,040	30,851	204,487	32,056	637,375
New England	15,708	2,709	8,413	1,298	35,173	16,715	2,552	8,803	1,308	36,666
Connecticut	4,532	412	2,589	333	9,793	4,639	383	2,674	338	9,781
Maine	901	113	791	164	2,523	969	104	857	165	2,665
Massachusetts	9,034	1,661	4,083	545	17,563	9,797	1,496	4,278	566	18,650
New Hampshire	36	375	NA	109	1,699	40	376	NA	109	1,828
Rhode Island	759	77	680	72	2,110	818	105	714	65	2,223
Vermont	445	71	270	76	1,486	451	87	280	65	1,519
Mid-Atlantic	51,149	7,248	24,795	3,746	114,314	54,226	7,571	25,734	4,215	119,355
Delaware	977	164	NA	78	2,356	988	158	NA	64	2,387
Maryland	5,098	577	2,735	524	12,613	5,381	617	2,880	571	13,225
New Jersey	7,641	1,370	5,607	350	18,674	8,188	1,602	5,752	347	19,722
New York	30,091	3,657	9,492	1,217	55,797	32,010	3,483	9,832	1,223	57,746
Pennsylvania	7,343	1,481	6,960	1,576	24,873	7,659	1,712	7,270	2,011	26,275
Great Lakes	31,490	4,719	28,020	4,375	89,489	32,043	4,446	31,279	4,442	93,243
Illinois	11,680	2,931	6,301	956	28,584	11,386	2,629	6,671	971	28,330
Indiana	3,294	494	5,159	611	11,728	3,420	499	5,442	611	12,048
Michigan	5,646	604	6,223	742	18,558	6,291	624	7,142	745	21,637
Ohio	6,134	(6)	7,304	1,389	19,568	6,211	0	8,818	1,434	19,947
Wisconsin	4,737	696	3,033	678	11,051	4,736	694	3,206	680	11,281
Plains	16,005	1,996	13,300	2,315	44,231	16,729	2,179	13,870	2,338	46,299
Iowa	2,120	218	1,768	269	5,509	2,259	262	1,986	284	5,957
Kansas	1,917	253	2,228	332	5,528	1,810	271	2,280	337	5,808
Minnesota	6,500	961	3,858	667	16,123	6,900	1,057	3,865	668	16,816
Missouri	3,716	191	2,428	518	8,005	3,929	237	2,521	508	8,379
Nebraska	1,440	210	1,330	251	3,470	1,486	250	1,344	249	3,590
North Dakota	312	144	996	172	4,396	346	106	1,159	180	4,528
South Dakota	NA	18	692	107	1,199	NA	(3)	716	111	1,222
Southeast	35,630	5,808	45,601	8,866	123,146	37,357	6,215	47,753	9,037	128,110
Alabama	2,304	209	1,747	391	6,590	2,344	369	1,809	402	6,991
Arkansas	1,813	277	2,344	340	6,369	1,850	323	2,402	344	6,551
Florida	NA	1,286	15,867	2,588	27,211	NA	1,440	16,212	2,684	27,938
Georgia	6,538	628	3,685	886	13,350	6,998	671	3,896	891	14,118
Kentucky	2,625	422	2,319	669	8,046	2,816	421	2,413	662	8,322
Louisiana	2,079	323	2,241	438	7,365	2,111	182	2,352	449	7,415
Mississippi	1,122	404	2,305	303	5,302	1,340	399	2,388	331	5,726
North Carolina	7,744	809	4,329	1,424	16,973	7,604	746	5,144	1,431	17,360
South Carolina	2,468	241	1,917	390	5,920	2,676	218	1,854	403	6,231
Tennessee	29	651	5,414	627	8,957	35	801	5,705	641	9,433
Virginia	7,713	414	2,512	471	13,213	8,301	500	2,617	467	14,094
West Virginia	1,194	145	922	339	3,848	1,282	147	962	332	3,930
Southwest	5,367	780	27,883	3,499	56,794	5,772	848	30,078	3,646	60,322
Arizona	2,440	361	3,995	586	9,001	2,587	402	4,527	596	9,818
New Mexico	907	165	1,592	139	4,183	945	206	1,727	143	4,467
Oklahoma	2,019	253	1,926	342	6,384	2,240	240	2,031	350	6,743
Texas	NA	NA	20,369	2,432	37,226	NA	NA	21,793	2,558	39,294
Rocky Mountain	7,303	777	4,897	1,148	18,212	7,973	847	5,266	1,198	19,731
Colorado	3,830	430	1,927	482	8,274	4,228	407	2,117	496	8,999
Idaho	879	107	1,025	193	2,543	968	133	1,092	197	2,760
Montana	705	77	NA	131	1,750	762	107	NA	136	1,881
Utah	1,888	163	1,368	266	4,350	2,014	200	1,417	278	4,598
Wyoming	NA	NA	578	75	1,296	NA	NA	640	91	1,493
Far West	49,284	4,919	39,492	6,043	123,934	55,226	6,192	41,705	5,871	133,649
Alaska	NA	197	NA	29	2,120	NA	168	NA	32	621
California	43,579	4,339	26,416	4,498	92,214	48,924	5,563	27,767	4,296	101,443
Hawaii	1,210	90	2,084	69	4,364	1,417	59	2,219	69	4,743
Nevada	NA	NA	2,189	172	4,250	NA	NA	2,356	176	4,449
Oregon	4,495	292	NA	426	6,413	4,884	402	NA	433	6,982
Washington	NA	NA	8,803	848	14,573	NA	NA	9,364	865	15,411

Source: U.S. Census Bureau.

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

	PIT	CIT	Sales	Motor Fuel	Total
United States	6.7	6.5	6.3	2.4	5.3
New England	6.4	(5.8)	4.6	0.7	4.2
Connecticut	2.3	(6.9)	3.3	1.7	(0.1)
Maine	7.6	(7.8)	8.4	0.3	5.6
Massachusetts	8.5	(10.0)	4.8	3.9	6.2
New Hampshire	12.4	0.5	NA	0.3	7.6
Rhode Island	7.7	36.1	5.0	(9.9)	5.3
Vermont	1.3	22.6	3.7	(14.9)	2.3
Mid-Atlantic	6.0	4.5	3.8	12.5	4.4
Delaware	1.1	(4.0)	NA	(18.9)	1.3
Maryland	5.6	7.0	5.3	9.0	4.9
New Jersey	7.2	16.9	2.6	(0.7)	5.6
New York	6.4	(4.8)	3.6	0.5	3.5
Pennsylvania	4.3	15.6	4.4	27.5	5.6
Great Lakes	1.8	(5.8)	11.6	1.5	4.2
Illinois	(2.5)	(10.3)	5.9	1.6	(0.9)
Indiana	3.8	1.2	5.5	0.0	2.7
Michigan	11.4	3.4	14.8	0.5	16.6
Ohio	1.3	(105.0)	20.7	3.2	1.9
Wisconsin	(0.0)	(0.3)	5.7	0.4	2.1
Plains	4.5	9.2	4.3	1.0	4.7
Iowa	6.5	20.2	12.3	5.4	8.1
Kansas	(5.6)	7.0	2.3	1.7	5.0
Minnesota	6.1	9.9	0.2	0.2	4.3
Missouri	5.7	23.7	3.8	(1.8)	4.7
Nebraska	3.2	19.0	1.0	(0.6)	3.5
North Dakota	11.1	(26.2)	16.3	4.9	3.0
South Dakota	NA	(119.5)	3.4	4.2	1.9
Southeast	4.8	7.0	4.7	1.9	4.0
Alabama	1.7	76.3	3.6	2.7	6.1
Arkansas	2.0	16.5	2.5	1.2	2.9
Florida	NA	11.9	2.2	3.7	2.7
Georgia	7.0	6.8	5.7	0.5	5.8
Kentucky	7.3	(0.4)	4.1	(1.0)	3.4
Louisiana	1.5	(43.6)	4.9	2.5	0.7
Mississippi	19.5	(1.2)	3.6	9.3	8.0
North Carolina	(1.8)	(7.8)	18.8	0.5	2.3
South Carolina	8.4	(9.3)	(3.3)	3.4	5.2
Tennessee	20.1	23.0	5.4	2.2	5.3
Virginia	7.6	21.0	4.2	(0.9)	6.7
West Virginia	7.3	1.0	4.3	(2.0)	2.1
Southwest	7.5	8.7	7.9	4.2	6.2
Arizona	6.0	11.2	13.3	1.6	9.1
New Mexico	4.2	24.3	8.5	2.5	6.8
Oklahoma	10.9	(5.2)	5.4	2.4	5.6
Texas	NA	NA	7.0	5.2	5.6
Rocky Mountain	9.2	9.1	7.5	4.4	8.3
Colorado	10.4	(5.3)	9.9	2.9	8.8
Idaho	10.2	24.7	6.5	2.1	8.5
Montana	8.0	38.6	NA	3.5	7.5
Utah	6.7	23.0	3.6	4.4	5.7
Wyoming	NA	NA	10.7	21.3	15.2
Far West	12.1	25.9	5.6	(2.8)	7.8
Alaska	NA	(14.6)	NA	9.0	(70.7)
California	12.3	28.2	5.1	(4.5)	10.0
Hawaii	17.1	(34.4)	6.5	(0.2)	8.7
Nevada	NA	NA	7.6	2.2	4.7
Oregon	8.7	37.6	NA	1.5	8.9
Washington	NA	NA	6.4	2.1	5.7

Source: U.S. Census Bureau.

Table 11. Quarterly Tax Revenue, Early Reporting States
April-June 2014 vs 2015, Percent Change

	PIT	CIT	Sales	Total
United States	14.3	4.2	4.1	7.6
New England	11.6	18.6	4.3	7.7
Connecticut	9.3	27.3	1.4	6.2
Maine	9.4	(7.3)	5.7	5.6
Massachusetts	13.2	24.8	6.3	10.0
New Hampshire	NA	2.3	NA	6.0
Rhode Island	13.5	21.4	8.5	9.7
Vermont	12.6	1.5	2.2	3.8
Mid-Atlantic	15.3	(1.6)	3.4	9.7
Delaware	15.7	116.9	NA	21.7
Maryland	ND	ND	ND	ND
New Jersey	11.2	29.0	3.3	9.8
New York	18.3	(32.2)	4.3	10.8
Pennsylvania	10.4	6.8	2.5	5.9
Great Lakes	4.9	(12.4)	4.2	3.1
Illinois	(8.7)	(16.3)	2.6	(6.1)
Indiana	12.6	8.8	(0.7)	4.7
Michigan	11.4	(124.9)	5.5	5.2
Ohio	16.9	(140.9)	6.9	10.7
Wisconsin	13.1	16.8	5.6	7.7
Plains	19.5	4.8	0.6	10.2
Iowa	13.5	15.5	2.9	9.4
Kansas	25.3	3.2	(0.6)	6.3
Minnesota	29.2	18.2	3.3	17.6
Missouri	11.6	(0.2)	(1.0)	7.8
Nebraska	10.6	(2.1)	(0.3)	5.2
North Dakota	4.0	(23.7)	(9.4)	(10.3)
South Dakota	NA	NA	1.0	2.9
Southeast	10.5	10.4	5.8	7.0
Alabama	5.6	(12.5)	3.1	2.7
Arkansas	3.1	26.7	(0.9)	6.2
Florida	NA	5.1	6.8	6.3
Georgia	10.4	4.2	4.6	7.5
Kentucky	11.5	26.9	5.2	7.3
Louisiana	8.4	31.9	(1.4)	1.9
Mississippi	5.4	10.8	0.5	2.2
North Carolina	ND	ND	ND	ND
South Carolina	5.4	64.7	4.8	8.3
Tennessee	27.2	12.4	7.2	9.9
Virginia	13.1	(2.8)	13.1	12.2
West Virginia	21.9	(33.1)	9.2	1.9
Southwest	7.4	14.2	1.8	(0.1)
Arizona	13.3	20.2	3.7	10.7
New Mexico	ND	ND	ND	ND
Oklahoma	(0.5)	4.6	(3.3)	(6.4)
Texas	NA	NA	2.0	(1.0)
Rocky Mountain	14.6	(2.9)	2.2	7.7
Colorado	15.3	(8.7)	2.1	9.5
Idaho	11.1	0.4	6.5	8.6
Montana	19.5	(12.4)	NA	0.4
Utah	13.8	10.1	(0.9)	7.6
Wyoming	NA	NA	ND	ND
Far West	19.6	8.1	5.5	10.8
Alaska	NA	(61.5)	NA	(80.0)
California	20.6	12.5	6.0	14.5
Hawaii	9.6	(74.2)	4.4	2.8
Nevada	NA	NA	5.1	7.5
Oregon	10.8	8.2	NA	10.2
Washington	NA	NA	4.1	4.1

Source: Individual state data, analysis by Rockefeller Institute.

Notes: NA - not applicable; ND - no data.

preliminary data from forty-six early reporting states, five states indicated declines in overall state tax revenue collections in the second quarter of 2015, while nine states reported double-digit growth. We will provide a complete analysis of tax revenue collections for the second quarter of 2015 after the Census Bureau's data for the quarter are available.

Overall, the state revenue outlook for fiscal year 2016 appears positive for most states. 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 in fiscal year 2016. However, one big unknown relates to the stock market, which has fallen sharply in recent weeks and could bode ill for estimated and final payments of personal income tax later this fiscal year. Another big unknown is related to the large drop in oil prices, which has created 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 70.7 percent in the first three quarters 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 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

Forecasts for the State Personal Income Tax Revenue

In this report, we augment analysis of recent trends in state tax revenues with analysis of states' forecasts of personal income tax revenue collections. Table 12 shows actual personal income tax revenue collections for fiscal year 2014 and forecasts for fiscal years 2015 and 2016 for forty states for which we were able to collect such data. We also provide percent change in personal income tax collections as well as specify the forecast month and year. These are the latest public estimates we were able to obtain as of the writing of this report. As shown in Table 12, most of the forecasts were prepared or revised in the November-March period. Therefore, the forecasts generally underlie the governor's proposed budget. However, most forecasts were also prepared before the April surge in income tax collections. We believe many states anticipated a large part of the April surge, but may have revised estimates upward since then.

Table 12. Personal Income Tax Revenue Forecast (\$ in millions)

State	FY 2014 Actual	FY 2015 Forecast	FY 2016 Forecast	% chg, 2014-15	% chg, 2015-16	Forecast month
Alabama	3,480	3,649	3,746	4.9	2.7	Feb-15
Arizona	3,462	3,566	3,741	3.0	4.9	Jan-15
Arkansas	2,602	2,596	2,661	(0.2)	2.5	May-15
California	68,772	75,384	77,700	9.6	3.1	May-15
Colorado	5,696	6,343	6,493	11.4	2.4	Jun-15
Connecticut	8,719	9,199	9,665	5.5	5.1	Apr-15
Delaware	1,385	1,445	1,508	4.3	4.4	Jun-15
Georgia	8,966	9,364	9,839	4.4	5.1	Jan-15
Hawaii	1,745	1,961	1,915	12.4	(2.4)	May-15
Idaho	1,329	1,413	1,489	6.3	5.3	Jan-15
Illinois	18,388	16,992	14,766	(7.6)	(13.1)	Apr-15
Indiana	4,899	5,049	5,122	3.1	1.4	Apr-15
Iowa	3,975	4,162	4,494	4.7	8.0	Mar-15
Kansas	2,218	2,280	2,300	2.8	0.9	Apr-15
Kentucky	3,749	3,977	4,136	6.1	4.0	Dec-14
Louisiana	2,751	2,869	2,988	4.3	4.1	May-15
Maine	1,406	1,500	1,549	6.7	3.2	May-15
Maryland	7,774	8,168	8,629	5.1	5.6	Mar-15
Massachusetts	13,202	13,944	14,810	5.6	6.2	Jan-15
Michigan	8,013	8,605	8,925	7.4	3.7	May-15
Minnesota	9,660	10,045	10,731	4.0	6.8	Feb-15
Mississippi	1,667	1,749	1,814	4.9	3.7	Nov-14
Missouri	6,353	6,731	7,058	6.0	4.9	Jan-15
Montana	1,063	1,089	1,161	2.4	6.6	Jan-15
Nebraska	2,061	2,190	2,300	6.3	5.0	Apr-15
New Jersey	12,312	13,340	13,880	8.3	4.0	May-15
New Mexico	1,255	1,315	1,360	4.8	3.4	Feb-15
New York	42,871	43,852	46,750	2.3	6.6	Feb-15
North Carolina	10,272	10,471	10,859	1.9	3.7	Mar-15
Ohio	10,117	10,164	8,179	0.5	(19.5)	Feb-15
Oklahoma	2,028	2,214	2,006	9.2	(9.4)	Feb-15
Oregon	6,649	7,416	7,597	11.5	2.4	May-15
Pennsylvania	11,437	12,088	12,662	5.7	4.7	Jun-15
Rhode Island	1,116	1,227	1,228	10.0	0.1	May-15
South Carolina	3,423	3,612	3,777	5.5	4.6	May-15
Utah	2,890	2,986	3,110	3.3	4.1	Nov-14
Vermont	671	702	740	4.6	5.5	Jan-15
Virginia	11,253	11,645	12,036	3.5	3.4	Dec-14
West Virginia	1,664	1,810	1,861	8.7	2.8	Jan-15
Wisconsin	7,061	7,350	7,845	4.1	6.7	Jan-15
United States	318,353	334,462	343,428	5.1	2.7	

Source: Individual state data, analysis by the Rockefeller Institute.
Note: We were unable to obtain forecast data for North Dakota.

According to Table 12, states forecasted that personal income tax revenue would increase by 5.1 percent in fiscal 2015. Actual fiscal 2015 collections are likely higher than the forecasts due to the April surge, and many states are likely to report final revenue that is significantly higher than expected. According to states' forecasts, personal income tax revenue collections in fiscal 2015 were expected to grow in thirty-eight of the forty states. Four states expected double-digit growth and another fifteen states expected growth of over 5.0 percent.

According to preliminary forecasts for fiscal year 2016, growth in total state personal income tax collections will be less robust, at 2.7 percent, driven downward in part by projected declines in several relatively large states. (Median projected growth of 4.0 percent is more reflective of the typical state, but still is lower than estimated growth for 2015.) Growth is projected in thirty-six states, with twelve states projecting growth of over 5.0 percent. Two-thirds of states expect growth to slow from fiscal 2015 to 2016. Four states — Hawaii, Illinois, Ohio, and Oklahoma — are projecting declines in personal income tax collections in fiscal 2016. The projected declines in these states are likely due to legislated tax changes. For example, Illinois reduced the income tax rate from 5.0 percent to 3.75 percent as of January 1, 2015. In Oklahoma, the individual income tax rate will be reduced from 5.25 percent to 5.0 percent beginning January 1, 2016. Ohio also had tax rate cuts. The overall picture indicates that despite the growth in overall economy, state revenue collections remain weak in the post Great Recession period.

Preliminary projections for fiscal year 2016 are less promising, although states might revise the forecasts upward or downward during the fiscal year. As discussed earlier, the recent sharp declines in the stock market, which occurred after states prepared their forecasts, raises a yellow caution flag for the income tax in fiscal year 2016.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the Census Bureau in June 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 5.8 percent in the fourth quarter, compared to a 5.1 percent increase that can be computed from data on the Census Bureau's website (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, 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 second quarter of 2015 for forty-six 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 payments, 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 Census Bureau in a timely

manner due in part to furloughs and reduced workforces. For example, for the first quarter of 2015, the Census Bureau did not receive data in time for three 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 June 2015 and for the Census Bureau's preliminary figures with selected adjustments by the Rockefeller Institute.

	PIT	CIT	Sales	Motor	Total
Census Bureau Preliminary	7.2	3.2	5.1	3.8	5.1
Census Bureau Preliminary with RIG Adjustments	7.1	3.3	5.2	4.4	5.8

The last set of numbers with our adjustments is what we use as the basis for this report. For the first quarter of 2015, we made adjustment for the following three states — Kansas, Oklahoma, and Washington — based upon revised data provided to us by the Census Bureau or information provided to us directly by these states. For these three 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 three; 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 some previous quarters for those states where Census Bureau reported imputed values or where preliminary figures were questionable.

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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Endnotes

- 1 We made adjustments to Census Bureau data for the first quarter of 2015 for three states — Kansas, Oklahoma, and Washington — 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 or where the numbers were questionable. 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 April-June quarter of 2015 are not available for the following four states: Maryland, New Mexico, North Carolina, and Wyoming. It is likely that the nationwide picture for collections during the second 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/ecom/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/coincent/>.
- 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>.