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HIGHLIGHTS

- State tax revenues grew by 6.8 percent in the second quarter of 2015, the final quarter of the fiscal year for forty-six states, according to Rockefeller Institute research. This is faster than recently reported by the Census Bureau, reflecting Institute adjustments that provide a more accurate picture of state revenue collections and affected year-over-year total tax growth by double-digits in four states.
- Robust personal income tax growth of 14.2 percent caused overall tax revenue to be strong, despite moderate growth in other sources; corporate income taxes grew by 5.6 percent, sales taxes 3.2 percent, and motor fuels 2.4 percent.
- The income tax growth was driven by strong payments with final returns (20.0 percent) and strong payments of estimated tax (18.2 percent). We do not expect this pace, which was driven by the strong stock market of 2014, to continue.
- Early figures for total state tax collections for fiscal year 2015 show growth of 5.6 percent over fiscal year 2014. Growth was robust for personal income tax collections at 9.0 percent, again likely driven by the strong stock market in calendar year 2014.
- Preliminary figures for the third quarter of 2015 indicate weaker growth in state tax collections of 4.3 percent. Growth in personal income tax collections slowed to 6.1 percent.
- States expect fiscal year 2016 to be a weaker year than 2015, largely because of an anticipated slowdown in income tax revenue. The median forecast of income tax growth in the forty-one states for which we were able to gather forecasts is only 4.4 percent. This is down from the states' current estimate of actual 2015 growth of 5.4 percent in those same states. These revenue forecasts come from a new feature in our *State Revenue Report*. See the section, "States Expect Slower Tax Revenue Growth in 2016," on p. 21.

STATE REVENUE REPORT

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Another Strong Tax Quarter for the States, But Less Promising Forecasts for Fiscal 2016

Preliminary Figures Show Softening Growth in State Taxes for the Third Quarter; Recent Stock Market Fluctuations Raise A Caution Flag

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Total State Taxes and Local Taxes

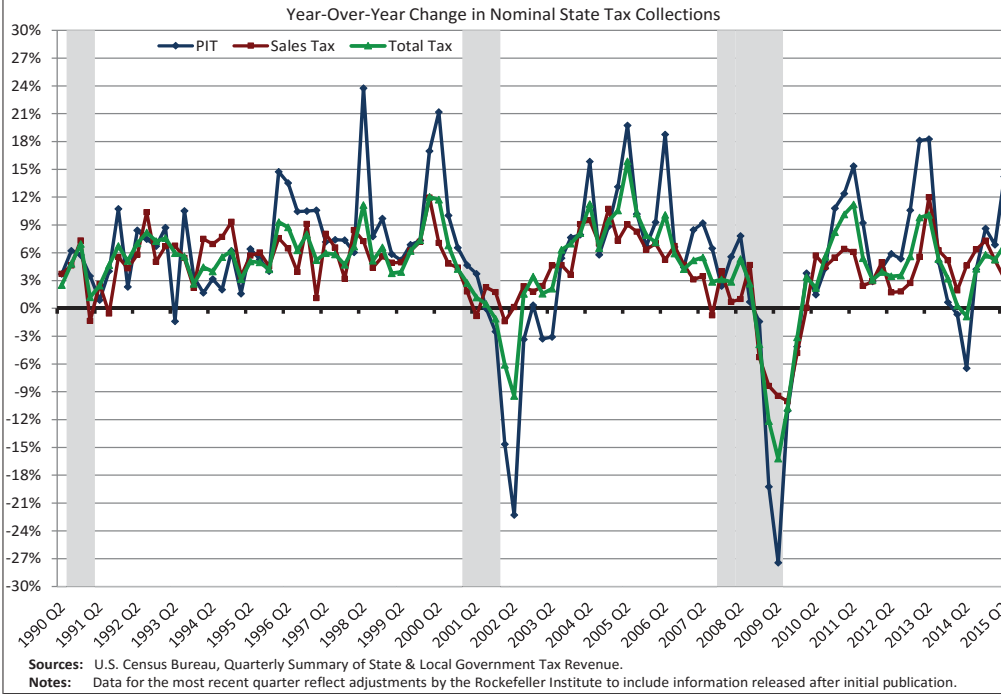
Growth in total state tax collections has fluctuated significantly in the last two years. Total state tax collections were rather weak in the first half of calendar year 2014, but resumed growth since then. We believe the large fluctuations in state tax collections have been mostly attributable to taxpayers' 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. However, the recent fluctuations in the stock market would likely lead to further fluctuations in personal income tax collections. Early figures for the third quarter of 2015 indicate continued, but softening 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 September 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 25.²)

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

Figure 1. Strong Growth in Personal Income Tax Collections



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 continued in the first half of 2015.

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

Total state tax collections in the second

quarter of 2015 were above the previous peak levels in most states, in nominal terms. Adjusted for inflation, nationwide tax receipts were 3.6 percent higher in the second quarter of 2015 than in the same quarter of 2008, the second full quarter of the Great Recession. Inflation adjusted sales tax collections were 12.6 percent higher, while personal income tax receipts were only 2.5 percent higher.

Figure 2. Growth in Major State Taxes Ticks Upward

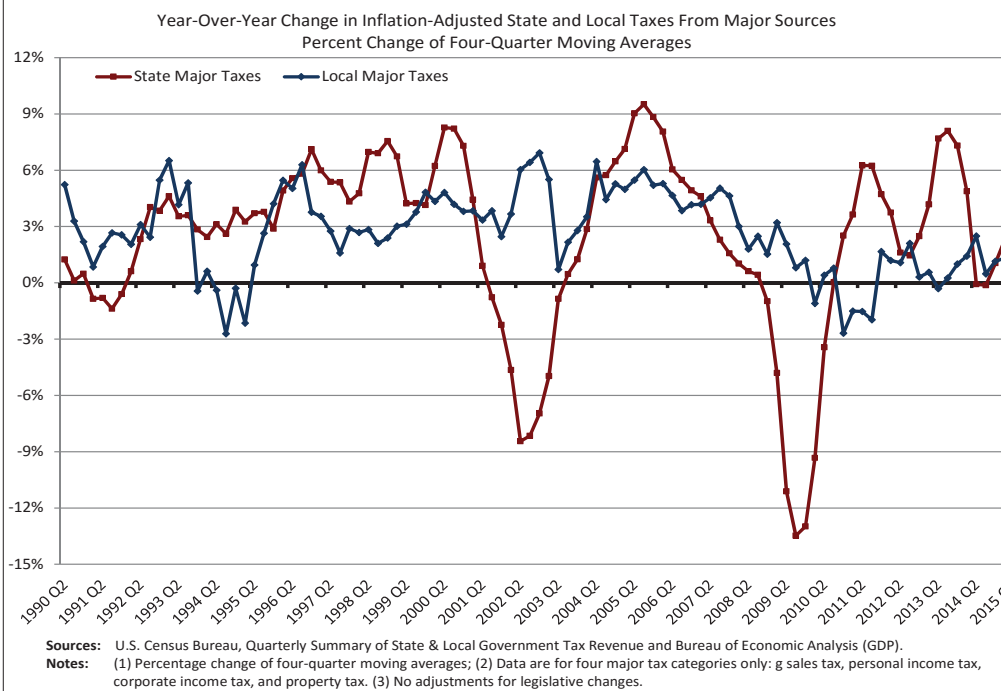


Figure 2 shows the year-over-year percentage change in the four-quarter moving average of inflation adjusted state tax and local tax collections from major sources: personal income, corporate income, sales, and property taxes.³ As shown in Figure 2, state taxes from major sources fluctuated greatly over the last two years. The substantially strong growth in 2013, subsequent softening and declines in 2014, and resumed growth in the first half of 2015

appear to be attributable to the impact of the federal fiscal cliff and volatility in the stock market. State major taxes, adjusted for inflation, grew by 5.8 percent in the last four quarters relative to the year-earlier period.

The four-quarter moving average of inflation-adjusted local taxes grew by 1.5 percent in the second quarter of 2015. Inflation for the same time period, as measured by the gross domestic product price index, was 1.3 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 1.5 percent growth in local major tax collections for the four quarters ending in June 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 second 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 8.2 percent in the second quarter of 2015 in nominal terms. Collections from local individual income taxes, a much smaller contributor to overall local revenues, grew by 18.6 percent and collections from corporate income taxes grew by 17.0 percent.

Figure 3. Personal Income Taxes Rebound in the Second Quarter

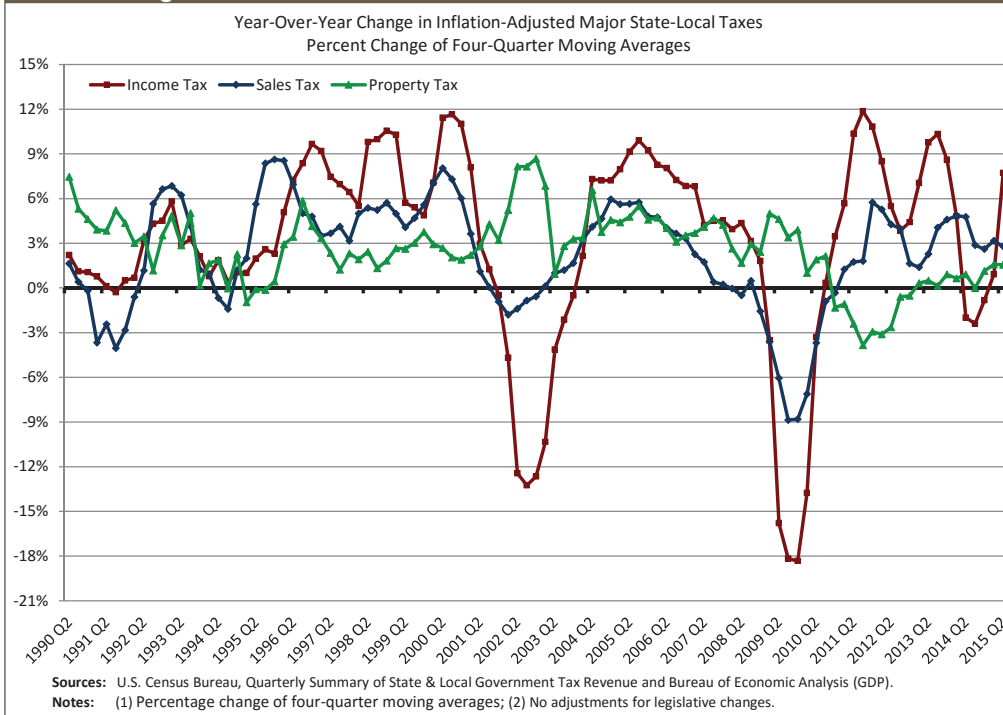


Figure 3 shows the year-over-year percent change in the four-quarter moving average of inflation-adjusted state and local income, sales, and property taxes. Both the income tax and the sales tax showed slower growth, and then outright decline, from 2006 through most of 2009. By this measure, which reflects the prior three quarters as well as the current quarter, the income tax grew by 7.7 percent in the second quarter of 2015. State-local sales tax

collections grew by 2.8 percent in the second quarter of 2015. The four-quarter moving average of inflation-adjusted state-local property taxes grew by 1.6 percent, marking the tenth consecutive quarter of growth.

State Tax Revenue

Total state tax revenue grew by 6.8 percent in the second quarter of 2015 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 14.2 and 5.6 percent, respectively, while the sales tax and motor fuel tax collections grew by 3.2 and 2.4 percent, respectively. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Forty-two states reported growth in total tax revenue during the second quarter of 2015, with ten states reporting double-digit growth (see Tables 9 and 10 on pages 16-17). All regions but Southwest reported growth in overall state tax collections. The Far West region showed the strongest growth at 11.2 percent and the Great Lakes region showed the weakest growth at 2.9 percent in the second quarter of 2015.

Preliminary figures collected by the Rockefeller Institute for the July-September quarter of 2015 show growth for overall tax collections as well as personal income and sales tax collections.⁴ Total tax collections in forty-four early reporting states grew by 4.3 percent, while individual income and sales tax collections grew by 6.1 and 3.4 percent, respectively. Early figures for the third quarter of 2015 show declines in corporate income tax collections at 1.3 percent.

Personal Income Tax

In the second quarter of 2015, personal income tax revenue made up at least a third of total tax revenue in thirty-one states, and was larger than the sales tax in thirty-two states. Personal income tax revenues grew by 14.2 percent in the second quarter of 2015 compared to the same period in 2014. 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. Table 3 summarizes growth of the main income tax components in the second and third quarters.

Personal income tax collections were 13.6 percent higher than in the second quarter of 2008, the recessionary peak for second quarter income tax revenue. Inflation-adjusted personal income tax collections were only 2.5 percent above the second quarter of 2008.

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

Table 1. Quarterly State Tax Revenue

| Quarter | Year-Over-Year Percent Change | | |
|---------|-------------------------------|----------------|----------------------|
| | Total Nominal Change | Inflation Rate | Adjusted Real Change |
| 2015 Q2 | 6.8 | 1.0 | 5.8 |
| 2015 Q1 | 5.3 | 1.0 | 4.2 |
| 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 Q2 | 14.2 | 5.6 | 3.2 | 2.4 | 6.8 |
| 2015 Q1 | 6.9 | 3.3 | 5.2 | 4.5 | 5.3 |
| 2014 Q4 | 8.6 | 9.5 | 7.3 | 2.4 | 5.8 |
| 2014 Q3 | 4.2 | 7.6 | 6.4 | 0.6 | 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).

Table 3. Growth in Personal Income Tax Components

| PIT Component: | 2015 Q2 Growth vs. year ago | 2015 Q3 Growth vs. year ago | Comments |
|-----------------------|------------------------------------|------------------------------------|---|
| Withholding | 5.0% | 5.0% | Largest PIT component; generally reflects current economy |
| Estimated payments | 18.2% (April + June) | 8.7% (September) | April payment heavily influenced by 2014 stock market |
| Final returns | 20.0% | 12.9% | Second quarter heavily influenced by 2014 stock market |
| Refunds | -0.3% | 1.1% | A positive number means that refunds increased (became more negative); negative means refunds decreased |
| PIT total | 14.0% | 6.1% | Reflects combined impact of factors above |

stock market has been quite volatile throughout 2015 to date. 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 volatility in the stock market in the recent months sends up a caution flag for state personal income tax revenue.

All regions reported growth in personal income tax collections in the second quarter of 2015, with the Far West and Southeast regions showing the strongest growth at 19.6 and 15.4 percent, respectively. The Great Lakes region had the weakest growth in personal income tax collections at 3.7 percent.

Overall, forty-one states reported growth in personal income tax collections for the quarter, with thirty-one states reporting double-digit growth. Illinois and Michigan were the only two states reporting declines at 8.7 and 7.8 percent, respectively. 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.

The largest dollar value increase was in California, where personal income tax collections grew by \$4.9 billion, or 20.6 percent. The strong growth in personal income tax collections in California are attributable both to the strong growth in taxes from capital gains and stock options as well as to job and wage growth.

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 second quarter of 2015, as well as preliminary data for the third 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 4 shows that withholding for the April-June 2015 quarter increased by 5.0 percent. In addition, preliminary

Table 4. Personal Income Tax Withholding, By State

| | Last Four Quarters, Percent Change | | | |
|-----------------------|------------------------------------|--------------|--------------|--------------|
| | 2014 | | 2015 | |
| | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep |
| United States | 6.1 | 2.1 | 5.0 | 5.0 |
| New England | 4.9 | 3.9 | 5.0 | 4.6 |
| Connecticut | 5.5 | 3.0 | 2.3 | 3.2 |
| Maine | 4.2 | 3.7 | 5.5 | 4.9 |
| Massachusetts | 4.9 | 5.1 | 6.3 | 5.1 |
| Rhode Island | 5.0 | 2.9 | 5.2 | 3.9 |
| Vermont | 2.4 | (7.1) | 3.9 | 7.9 |
| Mid-Atlantic | 7.8 | 1.3 | 5.5 | 8.0 |
| Delaware | 3.8 | (4.4) | 5.3 | 7.5 |
| Maryland | 4.4 | 4.1 | 3.6 | 4.9 |
| New Jersey | 14.8 | (2.0) | 6.6 | 13.3 |
| New York | 7.1 | 1.8 | 6.5 | 7.2 |
| Pennsylvania | 7.9 | (0.1) | 3.7 | 8.3 |
| Great Lakes | 3.6 | (3.7) | (4.8) | (2.0) |
| Illinois | 5.6 | (15.2) | (21.0) | (16.0) |
| Indiana | 7.5 | 4.0 | 3.9 | 4.2 |
| Michigan | 5.3 | 3.3 | 4.3 | 9.1 |
| Ohio | 4.0 | 3.8 | 1.7 | 2.5 |
| Wisconsin | (6.4) | (2.4) | 1.3 | 5.2 |
| Plains | 5.5 | 6.4 | 5.5 | 2.3 |
| Iowa | 6.8 | 6.2 | 4.8 | 4.8 |
| Kansas | (0.4) | 1.8 | (0.3) | (0.6) |
| Minnesota | 5.3 | 6.2 | 7.8 | 0.1 |
| Missouri | 6.0 | 7.4 | 6.1 | 4.9 |
| Nebraska | 6.3 | 6.7 | 5.1 | 6.7 |
| North Dakota | 28.4 | 26.6 | (5.4) | (11.6) |
| Southeast | 2.2 | 2.9 | 5.4 | 5.2 |
| Alabama | 4.0 | 5.3 | 4.6 | 2.3 |
| Arkansas | 3.9 | 4.5 | (5.1) | (7.7) |
| Georgia | 8.4 | 3.7 | 5.5 | 8.0 |
| Kentucky | 6.9 | 3.7 | 7.3 | 5.3 |
| Louisiana | 2.8 | 8.9 | 3.4 | 2.5 |
| Mississippi | 3.9 | 1.3 | 3.0 | 0.9 |
| North Carolina | (11.7) | (0.8) | 7.6 | 10.3 |
| South Carolina | 7.3 | 2.7 | 4.8 | 5.5 |
| Virginia | 6.0 | 2.6 | 6.8 | 4.4 |
| West Virginia | 4.6 | 4.5 | 6.1 | (1.6) |
| Southwest | 7.0 | 0.3 | 5.0 | 1.7 |
| Arizona | 3.9 | 3.2 | 4.6 | 3.5 |
| New Mexico | 16.8 | (14.8) | 14.3 | ND |
| Oklahoma | 7.0 | 3.1 | 1.9 | (0.6) |
| Rocky Mountain | 8.6 | 6.6 | 7.1 | 7.1 |
| Colorado | 9.4 | 7.0 | 6.6 | 7.0 |
| Idaho | 6.6 | 7.4 | 7.3 | 5.9 |
| Montana | 11.3 | 6.3 | 4.8 | 4.9 |
| Utah | 7.1 | 5.3 | 8.8 | 8.5 |
| Far West | 9.9 | 4.2 | 11.7 | 8.2 |
| California | 10.4 | 3.7 | 12.6 | 8.0 |
| Hawaii | 8.6 | 2.4 | 8.5 | ND |
| Oregon | 6.1 | 9.2 | 6.0 | 9.4 |

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.

data for the July-September 2015 quarter show growth in withholding also 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 4.3 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-seven 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. Among thirty-nine early reporting states, thirty-three states reported growth in the third quarter of 2016 and six states reported declines.

All regions but the Great Lakes had growth in withholding in both second and third quarters of 2015. The Far West had the greatest growth at 11.7 percent in the second quarter and at 8.2 percent in the third quarter. The Great Lakes region reported declines of 4.8 percent and 2.0 percent in the second and third quarters of 2015, respectively. 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 second and third quarters of 2015, estimated payments accounted for roughly 26 and 17 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

Table 5. Estimated Payments/Declarations, By State

| State | Year-Over-Year Percent Change | | | |
|-----------------------|------------------------------------|--|------------------------------------|--|
| | July-Sep (3rd payment, 2014) | April-Sep (first three payments, 2014) | July-Sep (3rd payment, 2015) | April-Sep (first three payments, 2015) |
| Average (Mean) | 7.3 | (0.1) | 8.7 | 15.1 |
| Median | 5.1 | 1.5 | 8.1 | 11.4 |
| Alabama | 0.2 | (4.0) | 7.1 | 11.4 |
| Arizona | 7.8 | 4.9 | 12.8 | 19.6 |
| Arkansas | (3.1) | (1.2) | 1.0 | 7.0 |
| California | 13.8 | 16.1 | 12.6 | 16.6 |
| Colorado | 13.8 | (9.1) | 14.2 | 21.4 |
| Connecticut | 4.9 | 5.6 | 5.8 | 5.8 |
| Delaware | 6.8 | 8.7 | 2.6 | 14.0 |
| Georgia | 10.7 | 6.9 | 10.9 | 15.0 |
| Hawaii | (27.6) | (20.3) | ND | ND |
| Illinois | 4.2 | 0.8 | 0.3 | 6.1 |
| Indiana | 12.3 | 10.1 | (18.9) | 1.1 |
| Iowa | (2.5) | (10.5) | (4.6) | 7.6 |
| Kansas | (47.2) | (49.6) | 27.4 | 30.3 |
| Kentucky | 0.6 | (8.2) | 20.4 | 22.0 |
| Louisiana | (0.4) | (1.5) | (2.2) | (3.4) |
| Maine | (9.2) | (3.1) | 25.1 | 24.5 |
| Maryland | 13.4 | 11.4 | (21.8) | (3.6) |
| Massachusetts | 9.7 | 6.3 | 8.1 | 9.6 |
| Michigan | 7.0 | (0.4) | 17.8 | 19.8 |
| Minnesota | 13.0 | 1.9 | 11.5 | 17.2 |
| Mississippi | 24.8 | 0.6 | 0.7 | 4.4 |
| Missouri | 4.6 | 2.5 | 13.0 | 14.3 |
| Montana | 5.3 | 5.1 | 17.6 | 17.5 |
| Nebraska | (4.0) | (4.4) | 6.5 | 9.5 |
| New Jersey | 2.1 | 4.1 | 18.0 | 14.4 |
| New York | 9.2 | (14.7) | 12.1 | 23.0 |
| North Carolina | 4.7 | 5.6 | 12.4 | 13.1 |
| North Dakota | (12.7) | (44.8) | (17.0) | 3.2 |
| Ohio | (17.0) | (26.5) | (3.9) | 0.4 |
| Oklahoma | 14.6 | (0.5) | (6.8) | 2.4 |
| Oregon | 19.1 | 13.2 | 16.4 | 13.8 |
| Pennsylvania | 2.0 | 1.6 | 12.2 | 13.9 |
| Rhode Island | 1.6 | 25.7 | 10.8 | (10.9) |
| South Carolina | 7.7 | 1.3 | 0.9 | 7.1 |
| Vermont | 7.2 | 6.3 | 11.9 | 12.4 |
| Virginia | 13.5 | 2.1 | 6.8 | 10.7 |
| West Virginia | 20.5 | 8.9 | (2.4) | 6.4 |
| Wisconsin | (7.1) | (11.8) | 5.1 | 9.8 |

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

Note: ND = No Data.

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 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-seven states for which we have complete data for the third payment (mostly attributable to the 2015 tax year), the median payment was up by 8.1 percent compared to the previous year (see Table 5). For the first three payments combined, the median payment was up by 11.4 percent. Declines were recorded in eight of the thirty-seven states for the third payment, and in three states for the first, second, and third payments combined. The median growth of 11.4 percent reported for the first three payments of tax year 2015 is significantly higher than the median growth of 1.5 percent reported for the first three payments of tax year 2014.

The rather strong growth in the first three 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

Table 6. Final Payments, By State

| State | April-June, 2014 | April-June, 2015 | Perecent Change |
|----------------------|---------------------|---------------------|--------------------|
| United States | 23,117.0 | 27,731.9 | 20.0 |
| Alabama | 242.3 | 288.4 | 19.0 |
| Arkansas | 204.1 | 253.0 | 24.0 |
| Arizona | 476.4 | 571.4 | 19.9 |
| California | 3,526.5 | 4,267.8 | 21.0 |
| Colorado | 392.3 | 456.7 | 16.4 |
| Connecticut | 1,152.7 | 1,339.4 | 16.2 |
| Delaware | 95.0 | 115.4 | 21.5 |
| Georgia | 557.4 | 670.5 | 20.3 |
| Hawaii | 95.9 | 118.6 | 23.7 |
| Iowa | 266.8 | 319.0 | 19.6 |
| Idaho | 308.7 | 345.9 | 12.1 |
| Illinois | 1,317.3 | 1,561.1 | 18.5 |
| Indiana | 513.3 | 617.6 | 20.3 |
| Kansas | 214.1 | 274.6 | 28.3 |
| Kentucky | 4.9 | 20.2 | 312.2 |
| Louisiana | 221.8 | 267.6 | 20.6 |
| Massachusetts | 1,446.4 | 1,763.9 | 22.0 |
| Maryland | 1,010.2 | 1,200.9 | 18.9 |
| Maine | 163.8 | 184.8 | 12.8 |
| Michigan | 585.9 | 694.9 | 18.6 |
| Minnesota | 950.3 | 1,026.4 | 8.0 |
| Missouri | 543.3 | 655.2 | 20.6 |
| Mississippi | ND | ND | ND |
| Montana | 138.6 | 169.6 | 22.3 |
| North Carolina | 1,054.1 | 1,317.3 | 25.0 |
| North Dakota | 46.0 | 54.2 | 17.8 |
| Nebraska | 244.5 | 284.1 | 16.2 |
| New Jersey | 1,675.1 | 1,928.7 | 15.1 |
| New Mexico | 194.4 | 228.8 | 17.7 |
| New York | 1,478.1 | 1,783.0 | 20.6 |
| Ohio | 543.3 | 792.1 | 45.8 |
| Oklahoma | 192.0 | 222.0 | 15.6 |
| Oregon | ND | ND | ND |
| Pennsylvania | 929.3 | 1,110.3 | 19.5 |
| Rhode Island | 117.9 | 156.2 | 32.4 |
| South Carolina | 303.8 | 316.2 | 4.1 |
| Utah | 493.2 | 588.9 | 19.4 |
| Virginia | 827.0 | 1,041.3 | 25.9 |
| Vermont | 82.6 | 106.8 | 29.3 |
| Wisconsin | 324.4 | 401.6 | 23.8 |
| West Virginia | 183.4 | 217.4 | 18.5 |

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

Note: ND = No Data.

of the tax year due to the April 15 income tax return deadline. Final payments in the second quarter generally are related to income earned in the prior calendar year (see Table 6). In the second and third quarters of 2015, final payments accounted for roughly 25 and 3 percent of all personal income tax revenues, respectively. Final payments with personal income tax returns grew by 20.0 and 12.9 percent, respectively in the second and third quarters of 2015 compared to the same quarters of 2014.

Refunds

Personal income tax refunds paid by thirty-nine states declined by 0.3 percent in the second quarter of 2015 compared to the same quarter of 2014. Preliminary data from thirty-seven states show a growth of 1.1 percent in the third quarter of 2015. In total, states paid out about \$70 million less in refunds in the second quarter of 2015 compared to the same quarter in 2014 and paid out about \$49 million more in the third quarter of 2015. Overall, fourteen states paid out less refunds in the second quarter of 2015 compared to the same quarter of 2014. According to preliminary data, fifteen states paid out less refunds in the third quarter of 2015 compared to the same quarter of 2014.

General Sales Tax

State sales tax collections in the April-June quarter grew 3.2 percent from the same period in 2014, which is significantly weaker than the growth reported for the previous four quarters. 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 24.9 percent higher than in the second quarter of 2008. Inflation-adjusted figures indicate that sales tax were only 12.6 percent above the recessionary peak reported in the second 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 second quarter of 2015 compared to the same quarter in 2014. The Far West reported the greatest increase at 5.5 percent, while the Great Lakes reported the softest growth at 1.0 percent.

Thirty-four of forty-five states with broad-based sales taxes reported growth for the quarter and eleven states reported declines. Four states — Iowa, North Carolina, North Dakota, and Virginia — reported double-digit growth in sales tax collections.

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 with relatively little budgetary impact. There is often significant variation in states' gains or losses for this tax.

Corporate income tax revenue grew 5.6 percent in the second quarter of 2015 compared to a year earlier. Two regions — Rocky Mountain and Mid-Atlantic — reported declines in corporate income tax collections at 2.2 and 6.6 percent, respectively. New England reported the largest growth in corporate income tax collections at 21.5 percent in the second quarter of 2015, while the Great Lakes reported the softest growth at 6.1 percent.

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

Motor Fuel Sales Tax

Motor fuel sales tax collections in the second quarter of 2015 grew by 2.4 percent from the same period in 2014, which is significantly weaker than the growth rate of 4.5 percent reported in the first quarter of 2015. 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. Changes in state motor fuel rates also affect tax collections. Motor fuel sales tax collections declined during the recession but have been growing for nine straight quarters, with an average quarterly growth of 2.8 percent.

Three regions — New England, Far West, and Southwest — reported declines of 1.0 percent or less in motor fuel sales tax collections in the second quarter of 2015 compared to the same quarter in 2014, while the rest of the regions reported growth. The Rocky Mountain region reported the largest increase at 9.5

Table 7. 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 | \$14,456 | \$17,657 | \$6,267 | \$26,571 | \$132,023 |
| 2015 Q2 | 1.0 | (2.3) | 1.7 | 0.5 | (0.3) |
| 2015 Q1 | 1.5 | (3.8) | 0.6 | 1.1 | 0.2 |
| 2014 Q4 | 0.9 | (4.4) | 1.7 | (0.5) | (1.8) |
| 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 |

Source: U.S. Census Bureau.

percent, while the Great Lakes region reported the softest growth at 0.1 percent.

Eighteen states reported declines in motor fuel sales tax collections in the second quarter of 2015, with four reporting double-digit declines. Seven states reported double-digit growth, with Montana reporting the largest growth at 38.6 percent.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes. In Table 7, we show four-quarter moving average real growth rates for the nation as a whole. In the second quarter of 2015, states collected \$54.1 billion from smaller tax sources, which comprised 20 percent of total state government tax collections.

Revenues from smaller tax sources showed a mixed picture in the second quarter of 2015. State property taxes, a small revenue source for states, increased by 1.0 percent in real terms. Collections from tobacco product sales showed declines at 2.3 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 1.7 and 0.5 percent, respectively, in the second quarter of 2015.

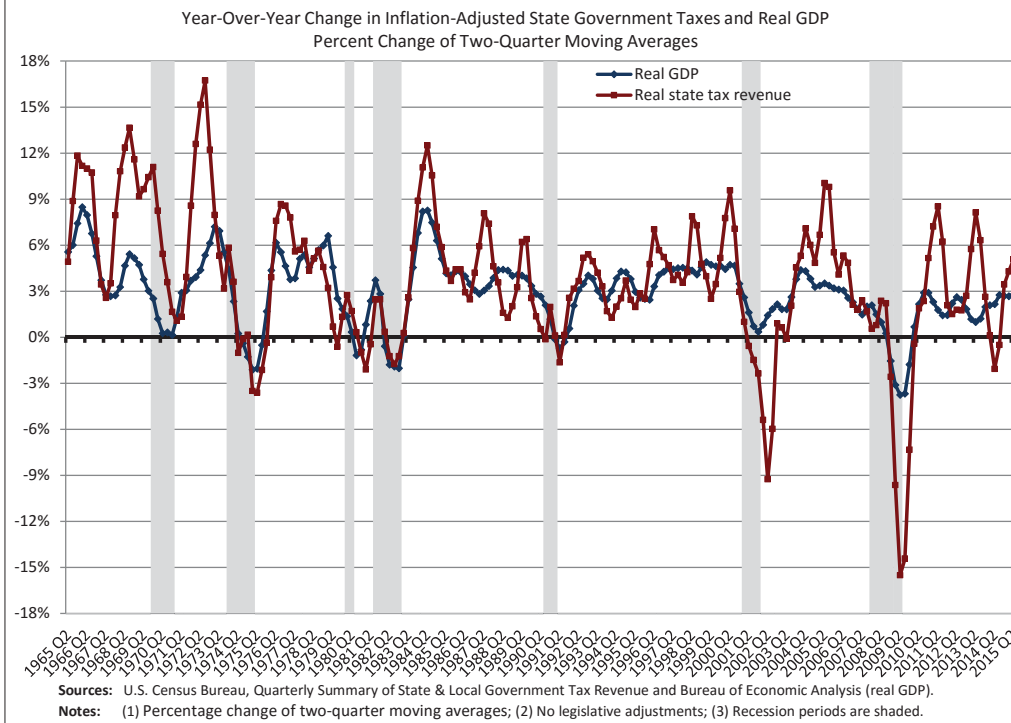
Underlying Reasons for Trends

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 goes

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



up, 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 in the fourth quarter of 2014 and the first and second quarters of 2015 on this moving-average basis. Real GDP continued showing uninterrupted growth for five years and grew by 2.8 percent in the second quarter of 2015. Post-recession growth in real GDP has been weak, varying between 0.7 and 2.9 percent.

Yet volatility in tax revenue is not fully explained by changes in 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 2009 and 2010, state revenue declines were often 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 8 shows year-over-year employment growth over the last

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

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

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

four quarters, including the third quarter of 2015. For the nation as a whole, employment grew by 2.0 percent in the third quarter of 2015 compared to the same period of 2014. On a year-over-year basis, employment grew in forty-six states in the third quarter of 2015. Four states — Alaska, North Dakota, West Virginia, and Wyoming — reported declines. Among individual states, Utah reported the largest growth at 4.2 percent in the third quarter of 2015, followed by Washington at 3.4 percent. In total, sixteen states reported growth of over 2.0 percent in the third quarter of 2015.

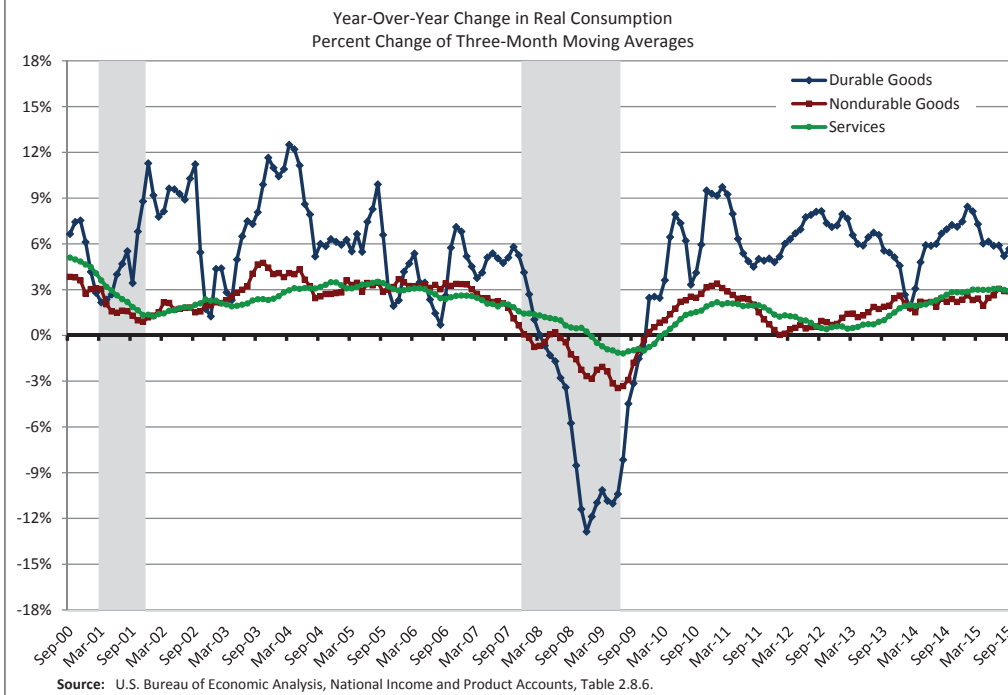
All regions reported growth in employment in the third quarter of 2015, but job gains are not evenly distributed among the regions. The Plains region reported the weakest growth in employment at 1.1 percent. The Far West and Rocky Mountain regions reported the largest increase in employment at 3.0 and 2.4 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 September 2015, economic activity nationwide increased by 0.7 percent compared to three months earlier and by 3.2 percent compared to a year earlier. At the state level, forty-three states reported growth in economic activity compared to three months earlier. The number of states reporting growth in economic activity has been rather stable between 2011 and 2014 and varied between forty-six and fifty. However, the number of states reporting declines has increased in the last six months. The data underlying these indexes are subject to revision, and so 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 throughout 2015 to date. Growth in the

Figure 5. Consumption of Services and Nondurable Goods Is Stagnant



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 nine months of 2015.

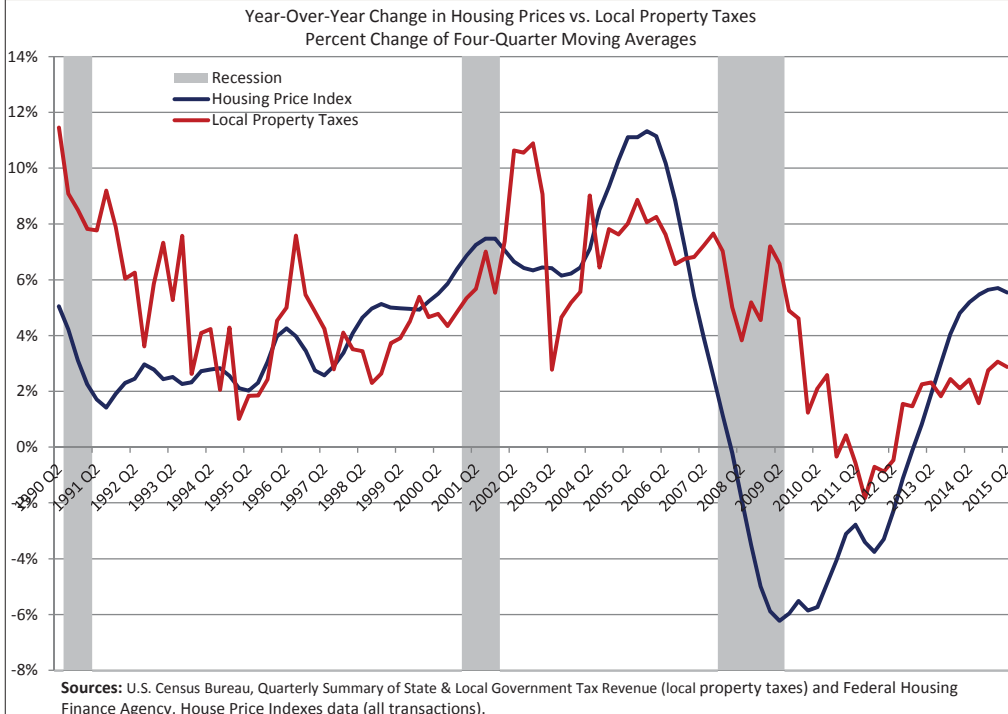
Figure 6 shows the year-over-year percent change in the four-quarter moving average housing price index and local property taxes for the nation from the second quarter of 1990 through the second quarter of 2015. Declines in housing prices usually lead to declines in property taxes with some lag.

The deep declines in housing prices caused by the Great Recession led to 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. However, the housing price index ticked downward in the second quarter of 2015, and showed growth of 5.5 percent. This is the tenth consecutive quarter of growth following twenty consecutive quarterly declines, which is highly

Figure 6. Growth in Housing Prices Ticked Downward in the Second Quarter



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 2.9 percent growth in the second quarter of 2015, marking twelve consecutive quarter of growth.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the April-June 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 and 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. That revenue source was hit much 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 for approximately eight 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 August 2015, over seven years after the start of the Great Recession, they were only 5.9 percent above the prerecession levels. As shown on Figure 7, real retail sales show a downward trend starting around the seventh year after the start of the 2001 recession. This is mainly because of the overlap of the period with the first year of the Great Recession. In other words, the last month depicted on Figure 7 for the 2001 recession is December 2008, which was in the midst of the Great Recession.

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

| | April-June 2014 | | | | | April-June 2015 | | | | |
|-----------------------|-----------------|---------------|---------------|---------------|----------------|-----------------|---------------|---------------|---------------|----------------|
| | PIT | CIT | Sales | Motor Fuel | Total | PIT | CIT | Sales | Motor Fuel | Total |
| United States | 98,329 | 17,312 | 77,269 | 11,440 | 258,555 | 112,312 | 18,280 | 79,762 | 11,713 | 276,145 |
| New England | 8,594 | 1,092 | 3,540 | 523 | 17,721 | 9,587 | 1,326 | 3,691 | 522 | 19,130 |
| Connecticut | 3,240 | 216 | 1,392 | 170 | 6,132 | 3,543 | 306 | 1,409 | 173 | 6,514 |
| Maine | 513 | 70 | 401 | 77 | 1,324 | 564 | 65 | 423 | 79 | 1,399 |
| Massachusetts | 4,212 | 533 | 1,435 | 187 | 7,340 | 4,768 | 658 | 1,526 | 190 | 7,975 |
| New Hampshire | 48 | 178 | NA | 38 | 576 | 56 | 200 | NA | 38 | 744 |
| Rhode Island | 350 | 60 | 227 | 24 | 867 | 397 | 71 | 246 | 21 | 974 |
| Vermont | 230 | 35 | 85 | 27 | 1,483 | 258 | 25 | 87 | 21 | 1,524 |
| Mid-Atlantic | 22,920 | 3,643 | 10,510 | 1,582 | 48,204 | 26,285 | 3,401 | 10,882 | 1,692 | 52,291 |
| Delaware | 414 | 115 | NA | 35 | 1,171 | 463 | 243 | NA | 36 | 1,419 |
| Maryland | 2,676 | 406 | 1,461 | 289 | 6,317 | 2,965 | 387 | 1,530 | 352 | 6,707 |
| New Jersey | 4,671 | 699 | 3,242 | 179 | 10,892 | 5,193 | 902 | 3,349 | 186 | 11,959 |
| New York | 11,700 | 1,601 | 3,272 | 425 | 20,568 | 13,844 | 1,072 | 3,413 | 398 | 22,439 |
| Pennsylvania | 3,459 | 821 | 2,535 | 655 | 9,256 | 3,820 | 797 | 2,590 | 721 | 9,766 |
| Great Lakes | 13,166 | 2,431 | 10,640 | 1,543 | 34,876 | 13,649 | 2,579 | 10,743 | 1,545 | 35,873 |
| Illinois | 4,962 | 1,509 | 2,214 | 338 | 11,338 | 4,528 | 1,425 | 2,280 | 322 | 10,953 |
| Indiana | 1,623 | 373 | 1,845 | 204 | 4,736 | 2,055 | 426 | 1,837 | 187 | 5,299 |
| Michigan | 2,234 | 258 | 2,071 | 228 | 6,036 | 2,060 | 387 | 1,858 | 228 | 5,533 |
| Ohio | 2,291 | 6 | 2,914 | 450 | 7,452 | 2,672 | 2 | 3,083 | 474 | 8,350 |
| Wisconsin | 2,057 | 286 | 1,596 | 323 | 5,314 | 2,333 | 339 | 1,686 | 334 | 5,738 |
| Plains | 7,092 | 1,070 | 4,810 | 790 | 18,101 | 8,062 | 1,151 | 5,032 | 833 | 19,080 |
| Iowa | 857 | 161 | 676 | 112 | 2,228 | 977 | 185 | 772 | 152 | 2,530 |
| Kansas | 594 | 169 | 756 | 110 | 1,940 | 745 | 174 | 751 | 110 | 2,061 |
| Minnesota | 3,123 | 364 | 1,540 | 218 | 7,123 | 3,470 | 420 | 1,619 | 217 | 7,623 |
| Missouri | 1,646 | 166 | 858 | 179 | 3,280 | 1,927 | 189 | 859 | 187 | 3,624 |
| Nebraska | 684 | 96 | 434 | 85 | 1,413 | 754 | 95 | 444 | 79 | 1,495 |
| North Dakota | 187 | 106 | 324 | 56 | 1,724 | 190 | 80 | 362 | 52 | 1,340 |
| South Dakota | NA | 7 | 223 | 31 | 394 | NA | 8 | 225 | 37 | 406 |
| Southeast | 14,084 | 3,454 | 16,729 | 3,153 | 47,940 | 16,256 | 3,810 | 17,290 | 3,258 | 51,480 |
| Alabama | 907 | 158 | 618 | 140 | 2,357 | 958 | 137 | 637 | 143 | 2,403 |
| Arkansas | 789 | 122 | 787 | 115 | 2,547 | 814 | 154 | 780 | 118 | 2,629 |
| Florida | NA | 758 | 5,614 | 937 | 10,171 | NA | 798 | 5,589 | 995 | 10,442 |
| Georgia | 2,428 | 316 | 1,299 | 310 | 4,916 | 2,679 | 329 | 1,361 | 313 | 5,272 |
| Kentucky | 1,124 | 252 | 813 | 217 | 2,962 | 1,253 | 331 | 854 | 188 | 3,182 |
| Louisiana | 743 | 145 | 778 | 152 | 2,586 | 805 | 192 | 774 | 155 | 2,672 |
| Mississippi | 543 | 123 | 968 | 106 | 2,190 | 572 | 136 | 950 | 97 | 2,336 |
| North Carolina | 2,646 | 551 | 1,513 | 491 | 6,392 | 3,594 | 584 | 1,719 | 493 | 7,552 |
| South Carolina | 953 | 117 | 1,123 | 140 | 2,691 | 1,046 | 193 | 1,021 | 143 | 2,735 |
| Tennessee | 210 | 526 | 1,864 | 218 | 3,848 | 267 | 600 | 1,999 | 217 | 4,211 |
| Virginia | 3,165 | 327 | 1,054 | 224 | 5,721 | 3,603 | 318 | 1,279 | 289 | 6,443 |
| West Virginia | 576 | 58 | 300 | 102 | 1,558 | 663 | 39 | 328 | 108 | 1,602 |
| Southwest | 2,356 | 398 | 14,215 | 1,262 | 24,627 | 2,636 | 436 | 14,434 | 1,259 | 24,192 |
| Arizona | 1,022 | 214 | 1,487 | 195 | 3,495 | 1,174 | 257 | 1,554 | 199 | 3,822 |
| New Mexico | 391 | 40 | 507 | 96 | 1,627 | 450 | 31 | 425 | 97 | 1,424 |
| Oklahoma | 943 | 144 | 673 | 109 | 2,584 | 1,012 | 148 | 651 | 105 | 2,509 |
| Texas | NA | NA | 11,549 | 862 | 16,921 | NA | NA | 11,803 | 857 | 16,437 |
| Rocky Mountain | 3,638 | 588 | 1,679 | 413 | 8,445 | 4,169 | 575 | 1,710 | 452 | 8,886 |
| Colorado | 1,820 | 287 | 687 | 159 | 3,537 | 2,097 | 262 | 701 | 172 | 3,786 |
| Idaho | 459 | 83 | 348 | 55 | 1,092 | 510 | 84 | 371 | 62 | 1,174 |
| Montana | 358 | 73 | NA | 66 | 891 | 418 | 61 | NA | 91 | 962 |
| Utah | 1,002 | 145 | 456 | 107 | 1,957 | 1,144 | 168 | 466 | 100 | 2,100 |
| Wyoming | NA | NA | 188 | 26 | 967 | NA | NA | 171 | 28 | 864 |
| Far West | 26,480 | 4,637 | 15,146 | 2,173 | 58,641 | 31,668 | 5,002 | 15,982 | 2,153 | 65,214 |
| Alaska | NA | 212 | NA | 13 | 1,268 | NA | 77 | NA | 10 | 279 |
| California | 23,805 | 4,172 | 9,749 | 1,521 | 44,711 | 28,711 | 4,692 | 10,330 | 1,478 | 51,442 |
| Hawaii | 521 | 50 | 741 | 24 | 1,680 | 571 | 13 | 774 | 24 | 1,735 |
| Nevada | NA | NA | 1,640 | 124 | 2,893 | NA | NA | 1,725 | 128 | 3,083 |
| Oregon | 2,154 | 203 | NA | 123 | 3,170 | 2,387 | 220 | NA | 125 | 3,436 |
| Washington | NA | NA | 3,016 | 368 | 4,919 | NA | NA | 3,154 | 388 | 5,239 |

Source: U.S. Census Bureau.

Table 10. Quarterly Tax Revenue By Major Tax
April-June, 2014-2015, Percent Change

| | PIT | CIT | Sales | Motor Fuel | Total |
|-----------------------|-------------|--------------|------------|--------------|--------------|
| United States | 14.2 | 5.6 | 3.2 | 2.4 | 6.8 |
| New England | 11.6 | 21.5 | 4.3 | (0.2) | 8.0 |
| Connecticut | 9.4 | 42.0 | 1.2 | 1.8 | 6.2 |
| Maine | 9.9 | (7.3) | 5.6 | 3.1 | 5.7 |
| Massachusetts | 13.2 | 23.4 | 6.3 | 1.4 | 8.7 |
| New Hampshire | 15.2 | 12.7 | NA | 1.1 | 29.2 |
| Rhode Island | 13.5 | 18.1 | 8.4 | (12.4) | 12.4 |
| Vermont | 12.4 | (26.6) | 2.7 | (24.0) | 2.8 |
| Mid-Atlantic | 14.7 | (6.6) | 3.5 | 6.9 | 8.5 |
| Delaware | 11.7 | 111.9 | NA | 2.5 | 21.2 |
| Maryland | 10.8 | (4.8) | 4.7 | 22.0 | 6.2 |
| New Jersey | 11.2 | 29.0 | 3.3 | 4.0 | 9.8 |
| New York | 18.3 | (33.1) | 4.3 | (6.5) | 9.1 |
| Pennsylvania | 10.4 | (3.0) | 2.2 | 10.1 | 5.5 |
| Great Lakes | 3.7 | 6.1 | 1.0 | 0.1 | 2.9 |
| Illinois | (8.7) | (5.5) | 3.0 | (4.8) | (3.4) |
| Indiana | 26.6 | 14.1 | (0.4) | (8.3) | 11.9 |
| Michigan | (7.8) | 50.2 | (10.3) | 0.0 | (8.3) |
| Ohio | 16.6 | (58.3) | 5.8 | 5.2 | 12.0 |
| Wisconsin | 13.5 | 18.6 | 5.6 | 3.5 | 8.0 |
| Plains | 13.7 | 7.5 | 4.6 | 5.4 | 5.4 |
| Iowa | 14.0 | 15.5 | 14.2 | 35.7 | 13.6 |
| Kansas | 25.3 | 3.1 | (0.6) | (0.2) | 6.3 |
| Minnesota | 11.1 | 15.2 | 5.1 | (0.4) | 7.0 |
| Missouri | 17.1 | 13.7 | 0.2 | 4.5 | 10.5 |
| Nebraska | 10.2 | (2.1) | 2.4 | (7.1) | 5.8 |
| North Dakota | 1.6 | (25.1) | 11.6 | (7.4) | (22.3) |
| South Dakota | NA | 13.0 | 1.1 | 18.1 | 3.2 |
| Southeast | 15.4 | 10.3 | 3.3 | 3.3 | 7.4 |
| Alabama | 5.6 | (13.6) | 3.1 | 2.3 | 1.9 |
| Arkansas | 3.2 | 26.7 | (0.8) | 2.2 | 3.2 |
| Florida | NA | 5.3 | (0.4) | 6.2 | 2.7 |
| Georgia | 10.4 | 4.2 | 4.7 | 1.0 | 7.2 |
| Kentucky | 11.5 | 31.3 | 5.2 | (13.3) | 7.4 |
| Louisiana | 8.4 | 31.9 | (0.4) | 2.0 | 3.3 |
| Mississippi | 5.4 | 10.8 | (1.9) | (8.9) | 6.7 |
| North Carolina | 35.8 | 5.9 | 13.6 | 0.4 | 18.2 |
| South Carolina | 9.8 | 64.6 | (9.1) | 1.9 | 1.7 |
| Tennessee | 27.2 | 14.1 | 7.2 | (0.6) | 9.4 |
| Virginia | 13.8 | (2.9) | 21.3 | 29.0 | 12.6 |
| West Virginia | 15.1 | (33.1) | 9.4 | 5.4 | 2.8 |
| Southwest | 11.9 | 9.6 | 1.5 | (0.2) | (1.8) |
| Arizona | 14.9 | 20.2 | 4.5 | 1.9 | 9.4 |
| New Mexico | 15.1 | (23.4) | (16.0) | 1.9 | (12.5) |
| Oklahoma | 7.4 | 3.2 | (3.3) | (3.4) | (2.9) |
| Texas | NA | NA | 2.2 | (0.5) | (2.9) |
| Rocky Mountain | 14.6 | (2.2) | 1.9 | 9.5 | 5.2 |
| Colorado | 15.3 | (8.7) | 2.1 | 8.1 | 7.0 |
| Idaho | 11.0 | 0.8 | 6.6 | 11.6 | 7.5 |
| Montana | 16.9 | (16.4) | NA | 38.6 | 8.0 |
| Utah | 14.2 | 16.1 | 2.2 | (6.7) | 7.3 |
| Wyoming | NA | NA | (8.7) | 6.7 | (10.7) |
| Far West | 19.6 | 7.9 | 5.5 | (1.0) | 11.2 |
| Alaska | NA | (63.8) | NA | (23.5) | (78.0) |
| California | 20.6 | 12.5 | 6.0 | (2.9) | 15.1 |
| Hawaii | 9.6 | (74.2) | 4.4 | (1.7) | 3.3 |
| Nevada | NA | NA | 5.1 | 3.1 | 6.5 |
| Oregon | 10.8 | 8.2 | NA | 1.9 | 8.4 |
| Washington | NA | NA | 4.6 | 5.5 | 6.5 |

Source: U.S. Census Bureau.

whole for approximately eight years following the start of each recession from 1980 forward.¹¹ The last data point for the 2007 recession is September 2015. The employment finally attained its prerecession peak levels since May 2014. However, as the graph shows, the 2.9 percent employment growth as of September 2015 is still worse than the trends seen in and around previous recessions, with the exception of the 2001 recession. The trends depicted in Figure 8 suggest that the pace of employment is extraordinarily weak. The graph also shows a downward trend and weaker growth for the 2001 recession, which is due to the employment figures that are shown for the first few months of the Great Recession. The last data point for the 2001 recession is December 2008, which marked the twelfth month of the Great Recession.

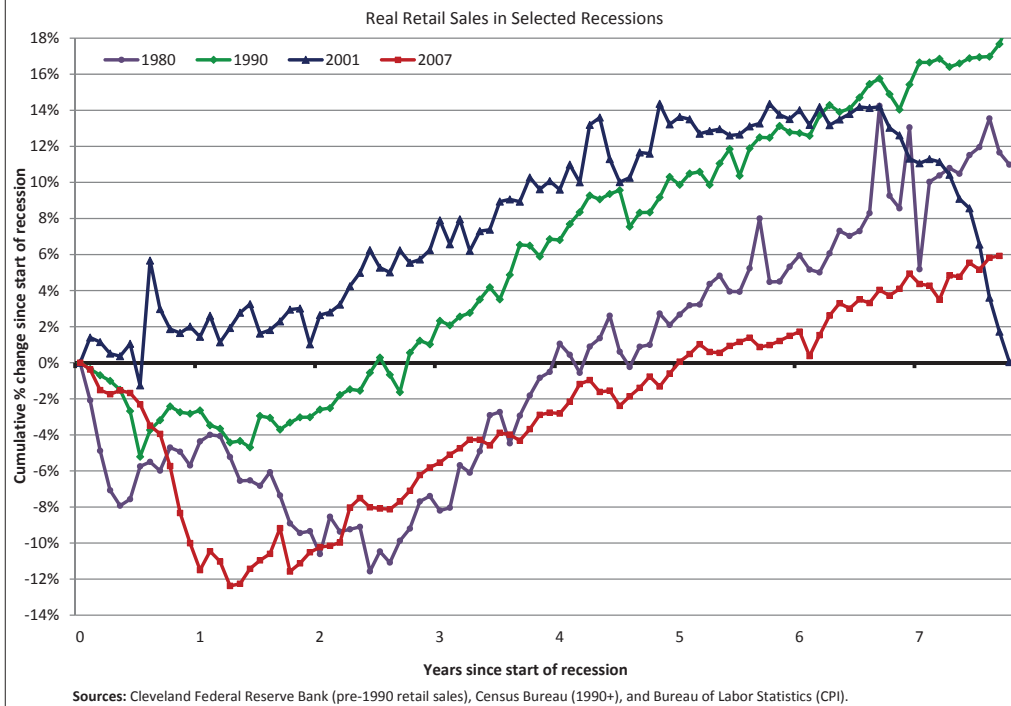
Tax Revenue Growth for State Fiscal Year 2015 and the Outlook for 2016

According to preliminary Census Bureau data, states collected \$912.4 billion in total tax revenues in fiscal year 2015, a gain of 5.6 percent from the \$863.8 billion collected in fiscal year 2014 (see Tables 11 and 12). The personal income tax and corporate income tax grew by 9.0 and 6.2 percent, respectively. Growth was also reported in sales tax and motor fuel sales tax collections at 5.4 and 2.4 percent, respectively. All regions had growth in overall tax collections in fiscal 2015, with the Far West having the greatest growth at 8.9 percent, while the Great Lakes had the weakest growth at 2.9 percent.

Forty-seven states reported growth in fiscal 2015 while Alaska, Illinois, and North Dakota reported declines. The greatest decline was reported in Alaska at 73.4 percent, mostly due to declining oil prices and the state's high reliance on revenues generated from oil and gas. Declines in Illinois and North Dakota were less than 5 percent each. Among the thirty-seven states reporting growth in fiscal 2015, thirty had growth of more than 5 percent.

Forty-four of forty-five states with broad-based sales taxes reported growth in sales tax collections, with five states reporting double-digit growth. South Carolina was the only state to report declines in sales tax collections in fiscal 2015. Finally, all states but Illinois reported growth in personal income tax collections. Declines in personal income

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

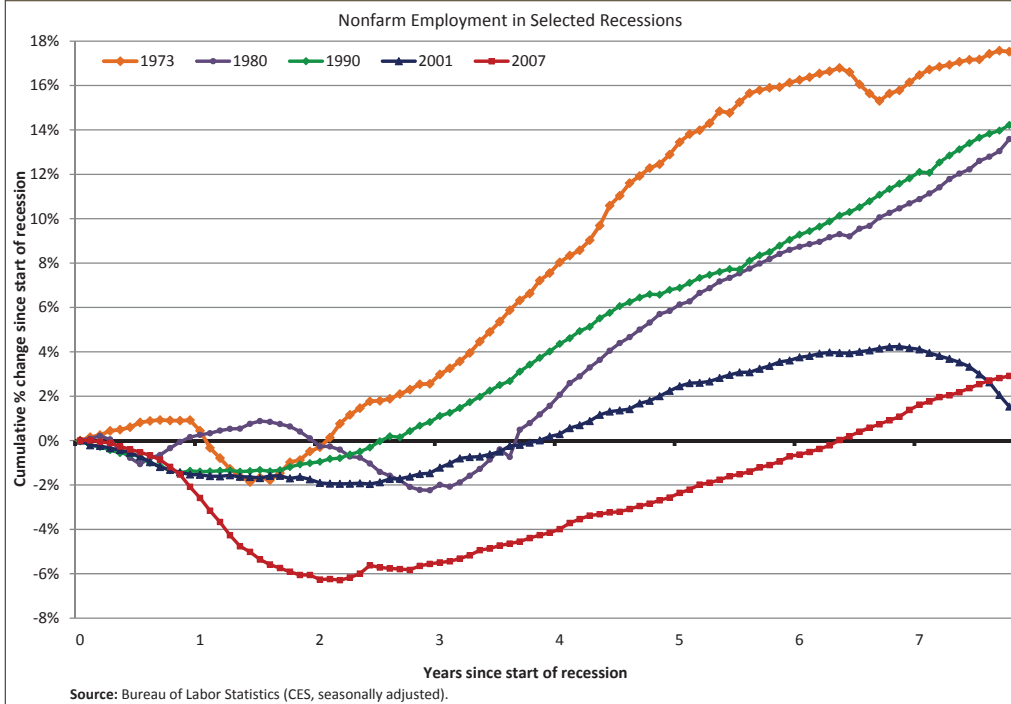


percent, while corporate income tax collections declined 1.3 percent. Table 13 shows state-by-state changes in major tax revenues during the third quarter of 2015 compared to the same quarter a year earlier. According to preliminary data from forty-four early reporting states, six states indicated declines in

tax collections in Illinois are mostly attributable to the legislated changes, as mentioned above.

Preliminary data for forty-four states for the July-September quarter of 2015 indicate that total tax revenues increased by 4.3 percent compared to the same period of 2014, which is a significant softening compared to the growth rates reported in the first half of 2015. Personal income tax collections grew 6.1 percent and sales tax collections grew 3.4

Figure 8. Employment Is Now 2.9 Percent Above the Prerecession Level



overall state tax revenue collections in the third quarter of 2015, while four states reported double-digit growth. The largest growth was in North Dakota, due almost exclusively to the transfer of oil tax revenues to the state general fund for the purpose of property tax relief. The transfer occurs once a biennium, usually in July of the odd-numbered years. We will provide a complete analysis of tax revenue collections for the third quarter of

| Table 11. State Tax Revenue, FYTD 2014 and FYTD 2015 (\$ in millions) | | | | | | | | | | |
|---|---------------------|---------------|----------------|---------------|----------------|---------------------|---------------|----------------|---------------|----------------|
| | July 2013-June 2014 | | | | | July 2014-June 2015 | | | | |
| | PIT | CIT | Sales | Motor Fuel | Total | PIT | CIT | Sales | Motor Fuel | Total |
| United States | 310,266 | 46,267 | 269,671 | 42,729 | 863,836 | 338,223 | 49,134 | 284,253 | 43,773 | 912,357 |
| New England | 24,302 | 3,801 | 11,953 | 1,821 | 52,894 | 26,302 | 3,878 | 12,493 | 1,829 | 55,796 |
| Connecticut | 7,773 | 627 | 3,981 | 503 | 15,924 | 8,182 | 690 | 4,083 | 511 | 16,296 |
| Maine | 1,414 | 183 | 1,192 | 241 | 3,847 | 1,533 | 169 | 1,280 | 244 | 4,064 |
| Massachusetts | 13,246 | 2,195 | 5,519 | 732 | 24,903 | 14,566 | 2,153 | 5,804 | 756 | 26,624 |
| New Hampshire | 84 | 552 | NA | 146 | 2,275 | 96 | 577 | NA | 147 | 2,572 |
| Rhode Island | 1,110 | 138 | 907 | 96 | 2,977 | 1,215 | 176 | 960 | 86 | 3,197 |
| Vermont | 675 | 106 | 355 | 104 | 2,968 | 709 | 113 | 367 | 86 | 3,043 |
| Mid-Atlantic | 74,069 | 10,891 | 35,305 | 5,328 | 162,518 | 80,511 | 10,972 | 36,615 | 5,926 | 171,664 |
| Delaware | 1,391 | 279 | NA | 113 | 3,527 | 1,450 | 401 | NA | 117 | 3,824 |
| Maryland | 7,774 | 983 | 4,196 | 813 | 18,930 | 8,346 | 1,004 | 4,410 | 923 | 19,932 |
| New Jersey | 12,312 | 2,069 | 8,849 | 528 | 29,566 | 13,381 | 2,504 | 9,100 | 533 | 31,682 |
| New York | 41,790 | 5,258 | 12,764 | 1,642 | 76,366 | 45,854 | 4,555 | 13,246 | 1,621 | 80,185 |
| Pennsylvania | 10,802 | 2,302 | 9,496 | 2,231 | 34,129 | 11,479 | 2,509 | 9,860 | 2,732 | 36,041 |
| Great Lakes | 44,656 | 7,149 | 38,660 | 5,918 | 124,365 | 45,692 | 7,026 | 42,022 | 5,987 | 127,943 |
| Illinois | 16,642 | 4,440 | 8,515 | 1,294 | 39,923 | 15,914 | 4,054 | 8,951 | 1,293 | 39,283 |
| Indiana | 4,916 | 867 | 7,003 | 815 | 16,463 | 5,475 | 925 | 7,278 | 798 | 17,346 |
| Michigan | 7,880 | 862 | 8,295 | 970 | 24,594 | 8,351 | 1,012 | 9,000 | 973 | 25,997 |
| Ohio | 8,425 | (0) | 10,218 | 1,840 | 27,021 | 8,883 | 3 | 11,900 | 1,908 | 28,297 |
| Wisconsin | 6,793 | 981 | 4,628 | 1,001 | 16,365 | 7,069 | 1,032 | 4,892 | 1,015 | 17,019 |
| Plains | 23,097 | 3,066 | 18,110 | 3,105 | 62,332 | 24,792 | 3,330 | 18,902 | 3,164 | 65,379 |
| Iowa | 2,977 | 378 | 2,444 | 381 | 7,737 | 3,236 | 447 | 2,758 | 436 | 8,487 |
| Kansas | 2,512 | 423 | 2,984 | 442 | 7,468 | 2,554 | 445 | 3,031 | 440 | 7,869 |
| Minnesota | 9,624 | 1,326 | 5,398 | 884 | 23,246 | 10,370 | 1,477 | 5,484 | 885 | 24,439 |
| Missouri | 5,362 | 358 | 3,286 | 696 | 11,286 | 5,856 | 426 | 3,380 | 695 | 12,003 |
| Nebraska | 2,124 | 307 | 1,764 | 335 | 4,883 | 2,240 | 344 | 1,788 | 328 | 5,085 |
| North Dakota | 499 | 250 | 1,320 | 228 | 6,120 | 536 | 186 | 1,521 | 232 | 5,868 |
| South Dakota | NA | 25 | 915 | 138 | 1,592 | NA | 4 | 941 | 148 | 1,628 |
| Southeast | 49,713 | 9,262 | 62,331 | 12,019 | 171,085 | 53,500 | 10,028 | 65,047 | 12,289 | 179,628 |
| Alabama | 3,211 | 368 | 2,364 | 531 | 8,947 | 3,301 | 506 | 2,446 | 545 | 9,394 |
| Arkansas | 2,602 | 398 | 3,130 | 455 | 8,917 | 2,696 | 477 | 3,182 | 462 | 9,190 |
| Florida | NA | 2,044 | 21,481 | 3,525 | 37,382 | NA | 2,238 | 21,801 | 3,679 | 38,380 |
| Georgia | 8,966 | 944 | 4,984 | 1,197 | 18,267 | 9,678 | 1,000 | 5,257 | 1,204 | 19,391 |
| Kentucky | 3,749 | 674 | 3,131 | 886 | 11,008 | 4,070 | 752 | 3,267 | 850 | 11,504 |
| Louisiana | 2,822 | 468 | 3,019 | 590 | 9,951 | 2,916 | 373 | 3,126 | 604 | 10,090 |
| Mississippi | 1,665 | 526 | 3,273 | 409 | 7,492 | 1,781 | 535 | 3,338 | 428 | 8,062 |
| North Carolina | 10,391 | 1,361 | 5,842 | 1,916 | 23,365 | 11,198 | 1,330 | 6,863 | 1,924 | 24,913 |
| South Carolina | 3,421 | 358 | 3,040 | 530 | 8,611 | 3,722 | 411 | 2,874 | 546 | 8,966 |
| Tennessee | 239 | 1,177 | 7,278 | 845 | 12,805 | 302 | 1,401 | 7,704 | 858 | 13,644 |
| Virginia | 10,878 | 741 | 3,566 | 695 | 18,935 | 11,904 | 818 | 3,896 | 756 | 20,537 |
| West Virginia | 1,770 | 204 | 1,222 | 441 | 5,406 | 1,932 | 189 | 1,293 | 434 | 5,558 |
| Southwest | 7,722 | 1,178 | 42,098 | 4,760 | 81,416 | 8,408 | 1,284 | 44,511 | 4,905 | 84,489 |
| Arizona | 3,462 | 575 | 5,482 | 781 | 12,490 | 3,761 | 659 | 6,081 | 795 | 13,577 |
| New Mexico | 1,297 | 206 | 2,099 | 235 | 5,810 | 1,395 | 236 | 2,152 | 240 | 5,891 |
| Oklahoma | 2,962 | 397 | 2,599 | 451 | 8,969 | 3,252 | 389 | 2,682 | 455 | 9,291 |
| Texas | NA | NA | 31,918 | 3,293 | 54,147 | NA | NA | 33,595 | 3,415 | 55,730 |
| Rocky Mountain | 10,941 | 1,364 | 6,576 | 1,560 | 26,657 | 12,142 | 1,422 | 6,976 | 1,650 | 28,590 |
| Colorado | 5,650 | 716 | 2,613 | 641 | 11,812 | 6,325 | 668 | 2,818 | 668 | 12,783 |
| Idaho | 1,338 | 190 | 1,374 | 248 | 3,634 | 1,478 | 217 | 1,464 | 259 | 3,910 |
| Montana | 1,063 | 150 | NA | 197 | 2,641 | 1,180 | 168 | NA | 227 | 2,843 |
| Utah | 2,890 | 308 | 1,823 | 373 | 6,307 | 3,158 | 369 | 1,883 | 377 | 6,698 |
| Wyoming | NA | NA | 766 | 101 | 2,263 | NA | NA | 811 | 119 | 2,356 |
| Far West | 75,764 | 9,556 | 54,639 | 8,216 | 182,569 | 86,877 | 11,194 | 57,687 | 8,023 | 198,867 |
| Alaska | NA | 409 | NA | 42 | 3,388 | NA | 245 | NA | 42 | 900 |
| California | 67,384 | 8,512 | 36,166 | 6,020 | 136,925 | 77,635 | 10,255 | 38,096 | 5,773 | 152,885 |
| Hawaii | 1,731 | 141 | 2,825 | 94 | 6,037 | 1,971 | 72 | 2,993 | 93 | 6,482 |
| Nevada | NA | NA | 3,829 | 297 | 7,143 | NA | NA | 4,081 | 304 | 7,532 |
| Oregon | 6,649 | 495 | NA | 549 | 9,583 | 7,271 | 622 | NA | 557 | 10,418 |
| Washington | NA | NA | 11,819 | 1,215 | 19,492 | NA | NA | 12,518 | 1,253 | 20,650 |

Source: U.S. Census Bureau.

Table 12. FYTD Tax Revenue By Major Tax

FYTD 2014 vs. FYTD 2015, Percent Change

| | PIT | CIT | Sales | Motor Fuel | Total |
|-----------------------|-------------|--------------|------------|--------------|------------|
| United States | 9.0 | 6.2 | 5.4 | 2.4 | 5.6 |
| New England | 8.2 | 2.0 | 4.5 | 0.4 | 5.5 |
| Connecticut | 5.3 | 9.9 | 2.5 | 1.7 | 2.3 |
| Maine | 8.4 | (7.6) | 7.4 | 1.2 | 5.6 |
| Massachusetts | 10.0 | (1.9) | 5.2 | 3.3 | 6.9 |
| New Hampshire | 14.0 | 4.4 | NA | 0.5 | 13.0 |
| Rhode Island | 9.5 | 28.2 | 5.8 | (10.5) | 7.4 |
| Vermont | 5.0 | 6.5 | 3.4 | (17.3) | 2.5 |
| Mid-Atlantic | 8.7 | 0.7 | 3.7 | 11.2 | 5.6 |
| Delaware | 4.2 | 43.7 | NA | 3.6 | 8.4 |
| Maryland | 7.4 | 2.1 | 5.1 | 13.6 | 5.3 |
| New Jersey | 8.7 | 21.0 | 2.8 | 0.8 | 7.2 |
| New York | 9.7 | (13.4) | 3.8 | (1.3) | 5.0 |
| Pennsylvania | 6.3 | 9.0 | 3.8 | 22.4 | 5.6 |
| Great Lakes | 2.3 | (1.7) | 8.7 | 1.2 | 2.9 |
| Illinois | (4.4) | (8.7) | 5.1 | (0.1) | (1.6) |
| Indiana | 11.4 | 6.7 | 3.9 | (2.1) | 5.4 |
| Michigan | 6.0 | 17.4 | 8.5 | 0.4 | 5.7 |
| Ohio | 5.4 | (2,291.5) | 16.5 | 3.7 | 4.7 |
| Wisconsin | 4.1 | 5.2 | 5.7 | 1.4 | 4.0 |
| Plains | 7.3 | 8.6 | 4.4 | 1.9 | 4.9 |
| Iowa | 8.7 | 18.2 | 12.8 | 14.3 | 9.7 |
| Kansas | 1.7 | 5.4 | 1.6 | (0.5) | 5.4 |
| Minnesota | 7.8 | 11.4 | 1.6 | 0.0 | 5.1 |
| Missouri | 9.2 | 19.0 | 2.9 | (0.2) | 6.4 |
| Nebraska | 5.4 | 12.4 | 1.4 | (2.2) | 4.1 |
| North Dakota | 7.5 | (25.7) | 15.2 | 1.9 | (4.1) |
| South Dakota | NA | (82.5) | 2.8 | 7.3 | 2.2 |
| Southeast | 7.6 | 8.3 | 4.4 | 2.2 | 5.0 |
| Alabama | 2.8 | 37.6 | 3.5 | 2.6 | 5.0 |
| Arkansas | 3.6 | 19.6 | 1.7 | 1.5 | 3.1 |
| Florida | NA | 9.5 | 1.5 | 4.4 | 2.7 |
| Georgia | 7.9 | 5.9 | 5.5 | 0.6 | 6.2 |
| Kentucky | 8.5 | 11.5 | 4.3 | (4.0) | 4.5 |
| Louisiana | 3.3 | (20.2) | 3.5 | 2.4 | 1.4 |
| Mississippi | 7.0 | 1.6 | 2.0 | 4.6 | 7.6 |
| North Carolina | 7.8 | (2.2) | 17.5 | 0.4 | 6.6 |
| South Carolina | 8.8 | 14.9 | (5.4) | 3.0 | 4.1 |
| Tennessee | 26.3 | 19.0 | 5.8 | 1.4 | 6.5 |
| Virginia | 9.4 | 10.4 | 9.3 | 8.8 | 8.5 |
| West Virginia | 9.1 | (7.2) | 5.8 | (1.6) | 2.8 |
| Southwest | 8.9 | 9.0 | 5.7 | 3.1 | 3.8 |
| Arizona | 8.6 | 14.6 | 10.9 | 1.7 | 8.7 |
| New Mexico | 7.5 | 15.0 | 2.6 | 2.3 | 1.4 |
| Oklahoma | 9.8 | (2.2) | 3.2 | 1.0 | 3.6 |
| Texas | NA | NA | 5.3 | 3.7 | 2.9 |
| Rocky Mountain | 11.0 | 4.2 | 6.1 | 5.7 | 7.3 |
| Colorado | 12.0 | (6.7) | 7.8 | 4.2 | 8.2 |
| Idaho | 10.5 | 14.3 | 6.6 | 4.2 | 7.6 |
| Montana | 11.0 | 11.9 | NA | 15.2 | 7.7 |
| Utah | 9.3 | 19.7 | 3.3 | 1.2 | 6.2 |
| Wyoming | NA | NA | 6.0 | 17.6 | 4.1 |
| Far West | 14.7 | 17.1 | 5.6 | (2.3) | 8.9 |
| Alaska | NA | (40.1) | NA | (1.1) | (73.4) |
| California | 15.2 | 20.5 | 5.3 | (4.1) | 11.7 |
| Hawaii | 13.9 | (48.6) | 5.9 | (0.6) | 7.4 |
| Nevada | NA | NA | 6.6 | 2.6 | 5.4 |
| Oregon | 9.3 | 25.6 | NA | 1.6 | 8.7 |
| Washington | NA | NA | 5.9 | 3.1 | 5.9 |

Source: U.S. Census Bureau.

Table 13. Quarterly Tax Revenue, Early Reporting States

July-September 2014 vs 2015, Percent Change

| | PIT | CIT | Sales | Total |
|-----------------------|--------------|---------------|-------------|--------------|
| United States | 6.1 | (1.3) | 3.4 | 4.3 |
| New England | 6.2 | 5.2 | 10.7 | 6.5 |
| Connecticut | 4.9 | 8.3 | 7.6 | 6.2 |
| Maine | 25.7 | (46.1) | 52.1 | 25.6 |
| Massachusetts | 4.7 | 5.2 | 6.3 | 4.5 |
| New Hampshire | N/A | 7.9 | N/A | 6.5 |
| Rhode Island | 6.5 | 121.1 | 5.1 | 6.1 |
| Vermont | 5.5 | 12.2 | 3.4 | 3.8 |
| Mid-Atlantic | 10.6 | 27.0 | 4.0 | 10.0 |
| Delaware | 7.9 | 37.9 | N/A | 9.3 |
| Maryland | (0.6) | 26.6 | 4.8 | 1.4 |
| New Jersey | 8.1 | (15.4) | 3.6 | 4.7 |
| New York | 13.1 | 57.4 | 4.0 | 13.4 |
| Pennsylvania | ND | ND | ND | ND |
| Great Lakes | (3.1) | (17.6) | 1.5 | (0.5) |
| Illinois | (16.9) | (24.6) | 0.8 | (11.2) |
| Indiana | (1.7) | (10.1) | (0.4) | (1.1) |
| Michigan | 13.8 | (18.8) | (1.2) | 4.7 |
| Ohio | 1.3 | (66.5) | 6.1 | 6.1 |
| Wisconsin | 5.6 | (5.9) | 1.5 | 3.1 |
| Plains | 3.1 | (2.4) | 1.4 | 9.2 |
| Iowa | 3.5 | (4.1) | (1.9) | 0.9 |
| Kansas | 0.4 | (16.9) | 7.6 | 5.7 |
| Minnesota | 1.9 | 8.9 | 4.9 | 4.6 |
| Missouri | 6.1 | (2.2) | 2.3 | 4.8 |
| Nebraska | 7.5 | (7.1) | (1.3) | 1.8 |
| North Dakota | (18.5) | (69.7) | (17.0) | 116.3 |
| South Dakota | N/A | N/A | 5.9 | 6.4 |
| Southeast | 6.0 | (5.1) | 4.2 | 3.4 |
| Alabama | 4.5 | 22.2 | 2.9 | 3.5 |
| Arkansas | (5.1) | 4.7 | 6.9 | 0.2 |
| Florida | N/A | (1.2) | 5.0 | 2.8 |
| Georgia | 8.7 | 2.0 | 2.0 | 8.7 |
| Kentucky | 6.0 | 11.5 | 6.9 | 3.2 |
| Louisiana | (0.5) | (198.7) | 1.5 | (13.3) |
| Mississippi | (0.3) | (5.2) | 0.8 | (0.5) |
| North Carolina | 12.7 | 0.5 | 7.9 | 9.3 |
| South Carolina | 5.0 | 10.2 | 0.7 | 2.5 |
| Tennessee | N/A | 7.5 | 7.2 | 6.4 |
| Virginia | 5.5 | (17.0) | (3.0) | 3.1 |
| West Virginia | (0.4) | (19.3) | (1.6) | (4.9) |
| Southwest | 2.9 | 18.5 | 1.2 | (1.7) |
| Arizona | 5.0 | (14.4) | 2.7 | 2.4 |
| New Mexico | ND | ND | ND | ND |
| Oklahoma | (0.4) | 93.1 | (7.3) | 0.0 |
| Texas | N/A | N/A | 1.7 | (2.6) |
| Rocky Mountain | 7.2 | (0.0) | 5.1 | 5.9 |
| Colorado | 7.0 | 1.0 | 4.8 | 5.9 |
| Idaho | 5.2 | (8.9) | 7.3 | 7.2 |
| Montana | 5.3 | (5.8) | N/A | 4.6 |
| Utah | 9.3 | 5.4 | 3.8 | 5.4 |
| Wyoming | N/A | N/A | ND | ND |
| Far West | 9.3 | (14.3) | 4.3 | 5.1 |
| Alaska | N/A | ND | N/A | ND |
| California | 8.9 | (17.6) | 3.0 | 4.3 |
| Hawaii | ND | ND | ND | ND |
| Nevada | N/A | N/A | ND | ND |
| Oregon | 12.0 | 15.2 | N/A | 11.4 |
| Washington | N/A | N/A | 9.2 | 8.8 |

Source: Individual state data, analysis by Rockefeller Institute.

Notes: N/A - not applicable; ND - no data.

2015 after the Census Bureau's data for the quarter are available.

Overall, the state revenue outlook for fiscal year 2016 appears positive but moderate 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 fell sharply in mid-2015 but resumed growth afterward. The stock market fluctuations 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 73.4 percent in fiscal 2015 compared to 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

States Expect Slower Tax Revenue Growth in 2016

Tax revenue slowed in the first quarter of the 2016 fiscal year (the July-September quarter) according to preliminary data discussed above. In this report, we augment analysis of recent trends with analysis of states' forecasts of personal income tax and sales tax collections for 2016, in comparison to 2015 and 2014. Table 14 shows the actual collections for fiscal 2014 and the most recent forecasts for fiscal 2015 and 2016 for personal income tax and sales tax revenues for forty-seven states for which we were able to collect such data. It also shows the forecast month and year. The only state for which we are missing data is North Dakota since the state does not report data on an annual fiscal year basis. We also don't report data for Alaska and New Hampshire, as both states don't have either personal income or sales tax. These are the latest public estimates we were able to obtain as of the writing of this report. The fiscal year 2014 actual personal income and sales tax collections reported in Table 14 are different from the figures reported in Table 11 due to differences in data sources and differences in timing and/or measurement criteria used by the states versus by the Census Bureau. The 2014 data in Table 14 are reported on a basis consistent with 2015 and 2016 forecasts in that table, which is why we use them.

| State | Personal Income Tax | | | Sales Tax | | | Forecast month |
|----------------------|---------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2014 | FY 2015 | FY 2016 | |
| | Actual | Forecast | Forecast | Actual | Forecast | Forecast | |
| Alabama | 3,480.2 | 3,649.0 | 3,746.0 | 1,849.1 | 1,930.0 | 1,777.0 | Feb-15 |
| Arizona | 3,462.4 | 3,566.3 | 3,741.5 | 3,985.9 | 4,125.4 | 4,343.9 | Jan-15 |
| Arkansas | 2,602.2 | 2,596.4 | 2,660.7 | 2,173.1 | 2,212.7 | 2,273.0 | May-15 |
| California | 67,025.0 | 75,384.0 | 77,700.0 | 22,263.0 | 23,684.0 | 25,240.0 | May-15 |
| Colorado | 5,696.1 | 6,350.1 | 6,451.9 | 2,666.1 | 2,881.4 | 3,044.6 | Sep-15 |
| Connecticut | 8,718.7 | 9,199.0 | 9,665.1 | 4,100.6 | 4,221.2 | 4,215.4 | Apr-15 |
| Delaware | 1,187.7 | 1,251.9 | 1,306.7 | | | | Sep-15 |
| Florida | | | | 19,707.7 | 21,062.7 | 21,957.0 | Aug-15 |
| Georgia | 8,965.6 | 9,364.4 | 9,839.0 | 5,125.5 | 5,340.2 | 5,593.6 | Jan-15 |
| Hawaii | 1,745.3 | 1,987.8 | 2,058.5 | 2,825.0 | 2,992.7 | 3,185.4 | Sep-15 |
| Idaho | 1,329.3 | 1,413.2 | 1,488.6 | 1,145.7 | 1,204.3 | 1,270.0 | Jan-15 |
| Illinois | 18,388.0 | 16,992.0 | 14,766.0 | 7,676.0 | 8,010.0 | 8,280.0 | Apr-15 |
| Indiana | 4,898.8 | 5,048.7 | 5,121.8 | 6,925.9 | 7,226.3 | 7,504.7 | Apr-15 |
| Iowa | 3,974.9 | 4,207.3 | 4,490.5 | 2,642.3 | 2,753.0 | 2,805.5 | Oct-15 |
| Kansas | 2,218.2 | 2,280.0 | 2,461.8 | 2,446.3 | 2,505.0 | 2,786.2 | Jul-15 |
| Kentucky | 3,749.3 | 4,069.5 | 4,258.0 | 3,131.1 | 3,267.3 | 3,422.0 | Oct-15 |
| Louisiana | 2,750.6 | 2,869.4 | 3,012.9 | 2,620.1 | 2,731.8 | 2,935.1 | Aug-15 |
| Maine | 1,406.1 | 1,500.3 | 1,548.8 | 1,106.2 | 1,194.0 | 1,127.5 | May-15 |
| Maryland | 7,773.8 | 8,346.1 | 8,745.3 | 4,143.2 | 4,350.7 | 4,543.1 | Sep-15 |
| Massachusetts | 13,202.0 | 13,944.0 | 14,810.0 | 5,496.0 | 5,754.0 | 6,038.0 | Jan-15 |
| Michigan | 8,013.1 | 8,604.7 | 8,924.9 | 7,895.2 | 8,110.5 | 8,385.4 | May-15 |
| Minnesota | 9,660.0 | 10,045.0 | 10,731.0 | 5,043.0 | 5,162.0 | 5,320.0 | Feb-15 |
| Mississippi | 1,666.8 | 1,749.2 | 1,813.9 | 2,201.4 | 2,300.0 | 2,367.8 | Nov-14 |
| Missouri | 6,352.5 | 6,731.0 | 7,058.2 | 1,969.4 | 2,034.0 | 2,077.0 | Jan-15 |
| Montana | 1,063.3 | 1,088.6 | 1,160.9 | | | | Jan-15 |
| Nebraska | 2,060.8 | 2,205.5 | 2,285.0 | 1,524.8 | 1,535.4 | 1,615.0 | Aug-15 |
| Nevada | | | | 967.7 | 1,037.8 | 1,096.7 | May-15 |
| New Jersey | 12,928.0 | 13,340.0 | 13,880.0 | 8,680.0 | 8,830.0 | 9,090.0 | May-15 |
| New Mexico | 1,254.9 | 1,340.0 | 1,379.0 | 1,992.0 | 2,129.0 | 2,233.9 | Aug-15 |
| New York | 42,961.0 | 43,709.0 | 47,075.0 | 12,588.0 | 12,991.0 | 13,532.0 | Aug-15 |
| North Carolina | 10,272.4 | 10,471.0 | 10,859.3 | 5,566.5 | 6,390.0 | 6,715.8 | Mar-15 |
| Ohio | 10,116.7 | 10,163.5 | 8,179.2 | 9,563.1 | 10,304.1 | 11,874.9 | Feb-15 |
| Oklahoma | 2,028.0 | 2,213.6 | 2,005.7 | 2,156.1 | 2,270.1 | 2,317.0 | Feb-15 |
| Oregon | 6,628.0 | 7,330.3 | 7,659.6 | | | | Sep-15 |
| Pennsylvania | 11,437.0 | 12,088.0 | 12,662.0 | 9,130.0 | 9,508.0 | 9,840.0 | Jun-15 |
| Rhode Island | 1,115.5 | 1,226.8 | 1,228.2 | 916.1 | 954.0 | 1,000.0 | May-15 |
| South Carolina | 3,422.6 | 3,612.3 | 3,777.2 | 2,504.9 | 2,636.9 | 2,751.2 | May-15 |
| South Dakota | | | | 823.4 | 836.6 | 869.2 | Jul-15 |
| Tennessee | 239.3 | 251.3 | 269.1 | 7,286.2 | 7,612.1 | 7,878.2 | Feb-15 |
| Texas | | | | 27,274.1 | 28,787.4 | 29,143.7 | Oct-15 |
| Utah | 2,889.8 | 2,986.2 | 3,110.0 | 1,656.8 | 1,724.8 | 1,790.4 | Dec-14 |
| Vermont | 671.1 | 705.9 | 763.8 | 353.6 | 364.6 | 382.2 | Jul-15 |
| Virginia | 11,253.3 | 11,645.3 | 12,036.1 | 3,066.5 | 3,197.8 | 3,292.0 | Dec-14 |
| Washington | | | | 8,236.9 | 8,802.3 | 9,368.6 | Sep-15 |
| West Virginia | 1,664.1 | 1,809.6 | 1,860.5 | 1,173.1 | 1,253.5 | 1,281.3 | Jan-15 |
| Wisconsin | 7,061.4 | 7,350.0 | 7,845.0 | 4,628.3 | 4,880.0 | 5,030.0 | Jan-15 |
| Wyoming | | | | 521.1 | 544.0 | 466.8 | Oct-15 |
| United States | 317,333.7 | 334,686.1 | 344,436.5 | 229,746.9 | 241,642.6 | 252,061.1 | |

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

Note: We were unable to obtain forecast data for North Dakota.

Table 15. Percentage Change in State Forecasts

| State | PIT | | Sales | |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| | 2014 vs 2015 | 2015 vs 2016 | 2014 vs 2015 | 2015 vs 2016 |
| Alabama | 4.9 | 2.7 | 4.4 | (7.9) |
| Arizona | 3.0 | 4.9 | 3.5 | 5.3 |
| Arkansas | (0.2) | 2.5 | 1.8 | 2.7 |
| California | 12.5 | 3.1 | 6.4 | 6.6 |
| Colorado | 11.5 | 1.6 | 8.1 | 5.7 |
| Connecticut | 5.5 | 5.1 | 2.9 | (0.1) |
| Delaware | 5.4 | 4.4 | | |
| Florida | | | 6.9 | 4.2 |
| Georgia | 4.4 | 5.1 | 4.2 | 4.7 |
| Hawaii | 13.9 | 3.6 | 5.9 | 6.4 |
| Idaho | 6.3 | 5.3 | 5.1 | 5.5 |
| Illinois | (7.6) | (13.1) | 4.4 | 3.4 |
| Indiana | 3.1 | 1.4 | 4.3 | 3.9 |
| Iowa | 5.8 | 6.7 | 4.2 | 1.9 |
| Kansas | 2.8 | 8.0 | 2.4 | 11.2 |
| Kentucky | 8.5 | 4.6 | 4.3 | 4.7 |
| Louisiana | 4.3 | 5.0 | 4.3 | 7.4 |
| Maine | 6.7 | 3.2 | 7.9 | (5.6) |
| Maryland | 7.4 | 4.8 | 5.0 | 4.4 |
| Massachusetts | 5.6 | 6.2 | 4.7 | 4.9 |
| Michigan | 7.4 | 3.7 | 2.7 | 3.4 |
| Minnesota | 4.0 | 6.8 | 2.4 | 3.1 |
| Mississippi | 4.9 | 3.7 | 4.5 | 2.9 |
| Missouri | 6.0 | 4.9 | 3.3 | 2.1 |
| Montana | 2.4 | 6.6 | | |
| Nebraska | 7.0 | 3.6 | 0.7 | 5.2 |
| Nevada | | | 7.2 | 5.7 |
| New Jersey | 3.2 | 4.0 | 1.7 | 2.9 |
| New Mexico | 6.8 | 2.9 | 6.9 | 4.9 |
| New York | 1.7 | 7.7 | 3.2 | 4.2 |
| North Carolina | 1.9 | 3.7 | 14.8 | 5.1 |
| Ohio | 0.5 | (19.5) | 7.7 | 15.2 |
| Oklahoma | 9.2 | (9.4) | 5.3 | 2.1 |
| Oregon | 10.6 | 4.5 | | |
| Pennsylvania | 5.7 | 4.7 | 4.1 | 3.5 |
| Rhode Island | 10.0 | 0.1 | 4.1 | 4.8 |
| South Carolina | 5.5 | 4.6 | 5.3 | 4.3 |
| South Dakota | | | 1.6 | 3.9 |
| Tennessee | 5.0 | 7.1 | 4.5 | 3.5 |
| Texas | | | 5.5 | 1.2 |
| Utah | 3.3 | 4.1 | 4.1 | 3.8 |
| Vermont | 5.2 | 8.2 | 3.1 | 4.8 |
| Virginia | 3.5 | 3.4 | 4.3 | 2.9 |
| Washington | | | 6.9 | 6.4 |
| West Virginia | 8.7 | 2.8 | 6.9 | 2.2 |
| Wisconsin | 4.1 | 6.7 | 5.4 | 3.1 |
| Wyoming | | | 4.4 | (14.2) |
| U.S. median | 5.4 | 4.4 | 4.4 | 4.0 |

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

As shown in Table 14, in eighteen states forecast dates are between July 2015 and October 2015, indicating that their forecasts for fiscal 2015 are likely close to actual collections. However, in another seventeen states forecasts were prepared between November 2014 and March 2015, before the April surge in income tax collections. We believe many states anticipated a large part of the April surge, but others may have revised 2015 estimates upward since then.

Table 15 shows the percentage change in states' forecasts from 2014 to 2015, and from 2015 to 2016, for each source. At the bottom, it shows the median change across states.

The personal income tax is forecasted to grow 4.4 percent in 2016 in the median state, down from state-estimated growth of 5.4 percent in 2015. Personal income tax revenue collections in fiscal 2016 were expected to grow in thirty-eight states. The tax is expected to grow by more than 5.0 percent in only thirteen states, down from twenty-three states in 2015. Three states — 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.

Twenty-five states expected income tax growth to slow between 2015 and 2016. As discussed earlier, we now estimate that actual personal income tax growth in 2015 was approximately 9.0 percent for the U.S. as a whole (8.5 percent in the median state), due to the April surge. Thus, the slowing between 2015 and 2016 may be greater than published forecasts currently suggest, if the surge is not repeated in April of 2016.

Forecasts for fiscal year 2016 also indicate less-robust growth in total sales tax collections: the median state forecasts 4.0 percent growth. Overall, forty states are projecting growth in sales tax collections in fiscal 2016, with twelve states projecting

growth of over 5.0 percent, down from seventeen states in 2015. Four states — Alabama, Connecticut, Maine, and Wyoming — are projecting declines in sales tax collections. The median 2016 forecast is a slight reduction from the median forecast of 4.4 percent for 2015, and lower still than preliminary actual growth of 5.4 percent in fiscal 2015 (5.1 percent in the median state). Twenty-five states expect sales tax growth to be slower in 2016 than in 2015.

The overall picture is of continued growth in fiscal year 2016, albeit weaker than in 2015. Some of this slowdown is attributable to states not forecasting a repeat of the income tax surge of last April, and some of it likely is related to the anticipated slow economic growth in a weak inflation environment.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the Bureau of the Census in September 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 6.8 percent in the second quarter, compared to the 6.1 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, 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 third quarter of 2015 for forty-four 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. 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 second

quarter of 2015, the Census Bureau did not receive data in time for five states and reported estimated figures for those states. We have made some adjustments to the Census data. In addition, the Census Bureau's own resources are strained and the Bureau does not necessarily have resources available to examine questionable data. Table 16 shows the year-over-year percent change in national tax collections for the preliminary figures as reported by the Census Bureau in September 2015 and for the Census Bureau's preliminary figures with selected adjustments by the Rockefeller Institute.

| | PIT | CIT | Sales | Motor | Total |
|--|------|-----|-------|-------|-------|
| Census Bureau Preliminary | 13.4 | 6.1 | 2.9 | 1.7 | 6.1 |
| Census Bureau Preliminary with RIG Adjustments | 14.2 | 5.6 | 3.2 | 2.4 | 6.8 |

The last set of numbers with our adjustments is what we use as the basis for this report. For the second quarter of 2015, we made adjustments for the following nine states — Connecticut, Idaho, Kansas, Mississippi, Montana, New Jersey, New Mexico, Utah, and Washington — based upon revised data provided to us by the Census Bureau or information provided to us directly by these states. For five 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 five; 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 four other states where Census Bureau's figures were questionable. For example, in the case of Connecticut, Census Bureau reported preliminary data that excluded accruals for the final quarter of state fiscal year 2015. Finally, we adjusted tax data for some previous quarters for those states where the Census Bureau still reported imputed values or where preliminary figures were questionable. For example, the Census Bureau still has not received figures for Kansas for the last quarter of 2014 and the first and second quarters of 2015. The net impact of these adjustments can be quite substantial: In four states they accounted for double-digit differences in the year-over-year growth rate for total taxes.

Endnotes

- 1 We made adjustments to Census Bureau data for the second quarter of 2015 for nine states — Connecticut, Idaho, Kansas, Mississippi, Montana, New Jersey, New Mexico, Utah, 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 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, and 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. 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/ntax/bridgestudy.pdf>.
- 4 Preliminary figures for the July-September quarter of 2015 are not available for the following six states: Alaska, Hawaii, Nevada, New Mexico, Pennsylvania, and Wyoming. It is likely that the nationwide picture for collections during the third quarter of 2015 might change slightly once we have complete data for all fifty states for the quarter. The 17.5 percent is based on the 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 at <http://research.stlouisfed.org/fred2/series/SP500/downloaddata>.
- 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/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.

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