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Widespread Declines in State Tax Revenues in the Second Quarter of 2016

State Budgets Face New Uncertainties in the Aftermath of the Election

Lucy Dadayan and Donald J. Boyd

HIGHLIGHTS

- State tax revenue declined 2.1 percent in the second quarter of 2016, compared to the year earlier.
- Personal income tax revenue declined by 3.4 percent, likely caused by the weak stock market in 2015.
- Sales tax growth was a weak 0.8 percent, largely driven by the declines in nondurable goods.
- Motor fuels tax and corporate income taxes declined by 0.4 and 9.4 percent, respectively.
- Preliminary figures for the third quarter of 2016 indicate extremely weak growth in state tax collections of 1.2 percent.
- States project weak growth in tax collections in 2017. The median forecast of income tax and sales tax growth is at 4.0 and 4.2 percent, respectively.
- Debates over federal tax reform could depress state tax revenue in the coming quarters.

Contents

Summary and Conclusions

State and local government revenue from major taxes tracked by the Census Bureau declined by 0.5 percent in the second quarter of 2016 compared to a year earlier, a substantial deterioration from the 5.0 percent average growth for the four previous quarters (see Table 1). (The second quarter is the most recent quarter for which we have full details.)

Total state tax revenue from all sources declined by 2.1 percent, driven by declines in 2015 income tax returns, by slowing growth in sales tax, and declines in estimated payments of income tax. Preliminary data for the third quarter of 2016 indicate growth in state tax revenue of only 1.2 percent.

The outlook for state budgets in the 2016-17 state fiscal year, which began on July 1st in forty-six states, remains gloomy.

Table 1. State and Local Government Tax Revenue Growth Year-Over-Year Change

(Dollar amounts in millions)

	2015 Q2	2016 Q2	$ change	% change	Prior 4 quarters[2]
State and Local Government					
Total, major taxes[1]	**$339,548**	**$337,822**	**($1,725)**	**-0.5%**	**5.0%**
State Government					
Total state taxes	**$277,053**	**$271,264**	**($5,790)**	**-2.1%**	**3.7%**
Total major taxes	**$214,557**	**$209,817**	**($4,740)**	**-2.2%**	**4.6%**
Sales tax	80,036	80,680	644	0.8%	2.9%
Personal income tax	112,111	108,273	(3,838)	-3.4%	6.9%
Corporate income tax	18,400	16,669	(1,731)	-9.4%	-2.3%
Property tax	4,010	4,195	185	4.6%	5.4%
Total, other state taxes	**$62,497**	**$61,447**	**($1,050)**	**-1.7%**	**1.0%**
Local Government					
Total major taxes	**$124,991**	**$128,005**	**$3,014**	**2.4%**	**5.2%**
Sales tax	20,355	20,652	297	1.5%	6.6%
Personal income tax	10,182	9,964	(218)	-2.1%	14.1%
Corporate income tax	3,053	2,169	(884)	-29.0%	4.5%
Property tax	91,401	95,221	3,820	4.2%	4.1%

Source: U.S. Census Bureau (tax revenue).
Notes: 1. The Census Bureau only reports on major taxes of local government (sales, personal income, corporate income, and property tax). 2. Average of four prior year-over-year percent changes.

The recent state tax revenue weakness has been caused by:

- *Income tax:* State income tax revenue declined by 3.4 percent on a year-over-year basis in the second quarter, down from an average of 6.9 percent in the previous four quarters. Preliminary data for the third quarter of 2016 suggest personal income tax grew slowly, at 2.6 percent. The main sources of the personal income tax weakness were:

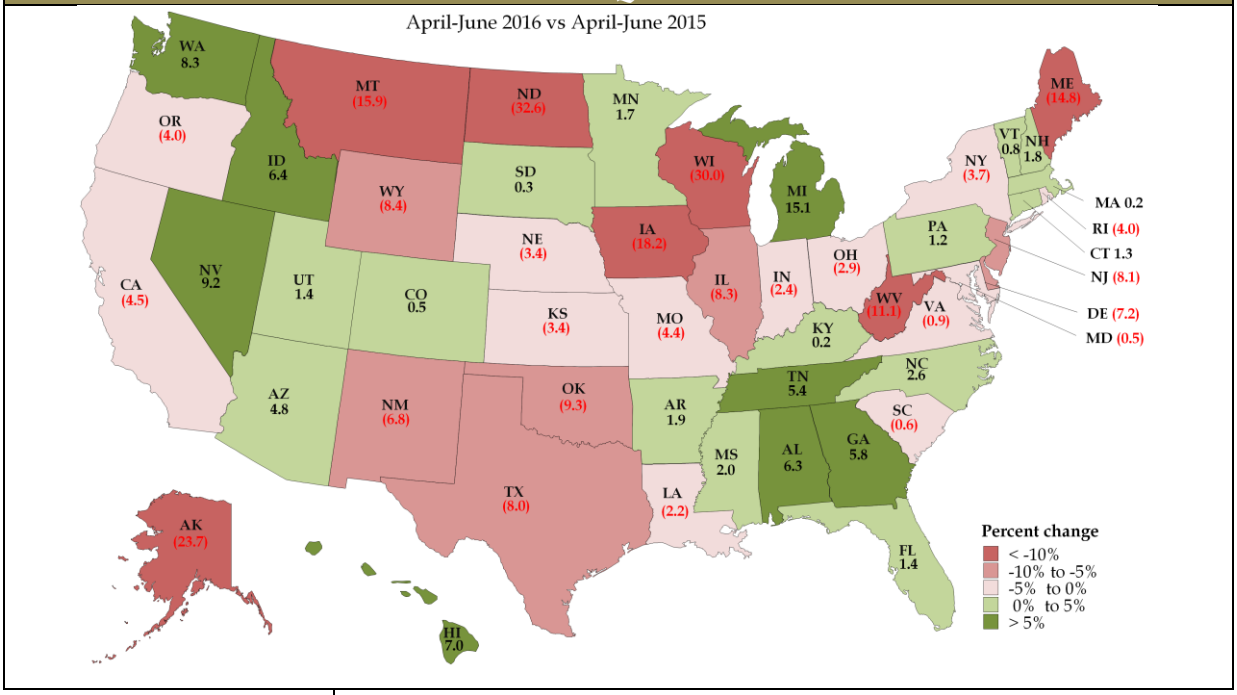
- *Declines in estimated payments and final returns in the second and third quarters of 2016.* According to preliminary data, estimated payments declined by 8.2 and 5.6 percent, respectively, in the second and third quarters of 2016, down from 18.2 and 9.0 percent growth in the same quarters of 2015. Final returns declined by 9.0 and 1.3 percent, respectively, in the second and third quarters of 2016 compared to 20.0 and 9.7 percent growth, respectively, in the same quarters of 2015. The declines in estimated and final payments in the second quarter of 2016 are likely to have been caused primarily by the weak stock market in 2015 and the declines in the third quarter could be related to the sharp drop in the stock market in the beginning of 2016.
- *Slowing growth in withholding on wages in the second quarter.* Growth slowed to 2.7 percent in the second quarter of 2016, and was a relatively slow 3.6 percent in the third quarter, down from 5.0 and 4.9 percent growth, respectively, in the second and third quarters of 2015.

- *Substantial weakness in the sales tax, consistent with weak growth in taxable consumption.* State sales tax revenue grew by 0.8 percent in the second quarter of 2016, down from an average of 2.9 percent in the four previous quarters. Preliminary data for the third quarter indicate growth of only 2.0 percent. Consumption of durable and nondurable goods figure prominently in many states' sales taxes, and consumers have been tightening their wallets: Year-over-year growth in nominal consumption of durable goods slowed from 5.0 percent in the second quarter of 2015 to 2.7 percent in the second quarter of 2016. Nondurable goods consumption declined throughout 2015 and has grown only slightly in 2016. The declines in nondurable goods consumption were driven by the sharp declines in the oil and gas prices, which led to declines in spending on gasoline and other energy goods that do not appear to have been compensated for by increased consumption of other taxable items.
- *Outright declines in corporate income taxes.* State corporate income taxes declined by 9.4 percent in the second quarter of 2016. Preliminary data for the third quarter of 2016 suggest corporate taxes declined again, by 9.6 percent, marking the fifth consecutive quarterly decline. Fortunately, most states do not rely heavily on corporate income taxes.

- *Extreme weakness in oil-producing states.* Oil-state economies have been hit hard by declines in prices and production. Most of these states rely heavily on severance taxes, which have declined sharply. In addition, oil states' economies have slowed greatly, causing weakness and shortfalls in other taxes. Most of the states with economies heavily concentrated in oil and mineral production had year-over-year declines in total state tax revenue in the first and second quarters of 2016.

For the most part, state governments have been hit harder by slowing tax revenue growth than localities. Local governments as a group rely heavily on property taxes, which are relatively stable and accelerated slightly in the second quarter, growing by 4.2 percent, compared with a 4.1 percent average in the prior four quarters. Some local governments — particularly those that rely heavily on sales taxes or income taxes, as some large cities do — and local governments in oil-producing states are likely to be faring much worse than average.

Figure 1. State Tax Collections Declined in Twenty-Seven States in the Second Quarter of 2016



Although oil-producing states were hardest-hit by slowing revenue growth in the second quarter of 2016, a few other states had declines as well, apparently driven by the weak stock market performance and associated declines in personal income tax collections (see Figure 1). Preliminary data for the third quarter suggest that over a dozen states had declines in total state tax collections. These declines may leave 2017 budgets with some holes

to fix. State tax revenue growth is likely to remain slow and highly uncertain throughout the remainder of fiscal year 2017.

States are forecasting weak revenue growth in fiscal 2017, with only 4.0 percent growth in the income tax and 4.2 percent growth in the sales tax. States are likely to reduce their forecasts when they next update them; some states have already done so in the past two months.

States face a major new budgetary uncertainty for the 2017 fiscal year: the impact of federal tax reform that may be enacted early in the new administration. States will need to worry about at least three kinds of effects, all of which are highly uncertain: (1) the impact of tax reform on the economy; (2) the direct impact of tax reform on state government tax bases in cases where states conform to federal tax law; and (3) indirect impacts on state tax revenue as taxpayers change their behavior in anticipation of, and in response to, federal tax reform. The first two effects are not likely to occur until the 2018 state fiscal year, even if a bill is enacted early. But the third can and probably will affect tax revenue long before a bill is enacted.

President-Elect Trump has proposed significant cuts in top income tax rates, elimination of the Affordable Care Act's investment income tax, and substantial increases in the standard deduction, among other things. The likelihood of lower tax rates in 2017 creates a large incentive for high-income taxpayers to push income from wages, interest, and other sources out of 2016 into 2017, and to accelerate deductions into 2016, depressing taxable income in 2016. The elimination of the Affordable Care Act investment tax provision creates an incentive for high-income taxpayers to push capital gains out of 2016 into 2017, when the provision would not be in effect, and the increase in the standard deduction creates a modest incentive for middle-income taxpayers to accelerate itemized deductions into 2016, when these deductions will be most useful.

If these were the only effects, the general implications for state tax revenue would be clear even though the magnitude would be devilishly hard to predict: State taxable income would be depressed in 2016, and pushed up in 2017. We would expect to see lower payments of estimated income tax in December and January and lower payments of final returns in April and May, relative to what otherwise would occur. While these effects are likely, they could be camouflaged in part by another effect: Very high income taxpayers can have an incentive to accelerate payments of state and local government taxes into 2016, to the extent that these taxes are deductible on federal income tax returns, so that they can be used against 2016's higher tax rates. Thus, these taxpayers would prefer

to pay state income taxes in December rather than in January or in April when returns are filed, and they also might prefer to pay property taxes in 2016.

Thus, taxpayers will have incentives to reduce taxable income in 2016, but to increase payments of state and local government taxes in 2016. It will be very difficult for state revenue forecasters to sort this out. As we have discussed in past *State Revenue Reports*, behavioral incentives can have powerful effects on state tax revenue even if federal tax reform is not enacted or is substantially different than expected. The possibility and likelihood of reform is enough to change behavior. States will need to do their best to understand and estimate these potential impacts, and then buckle up for the ride.

The remainder of this report examines state tax collections for the second quarter of 2016 in detail; summarizes preliminary collections for the third quarter; and reports on the states' most recent forecasts for the current fiscal year (2017) and, where available, for fiscal year 2018.

State Tax Revenue

Total state tax revenue declined by 2.1 percent in the second quarter of 2016 relative to a year ago, in nominal terms. Declines were reported in all major sources of state tax revenues, with the exception of sales tax collections, which grew by 0.8 percent. Individual income tax collections declined by 3.4 percent, while corporate income tax and motor fuel tax collections declined by 9.4 and 0.4 percent, respectively. Table 3 shows growth in state tax revenue with and without adjustment for inflation and Table 4 shows growth by major tax in nominal terms.

Twenty-six states reported declines in total tax revenue for the second quarter of 2016, with six states reporting double-digit declines (see Table 5 and Table 6). All regions but the Southeast had declines in overall state tax collections. The Southwest and Plains regions had the largest declines at 6.0 and 5.9 percent, respectively. State tax revenues grew by 1.6 percent in the Southeast region.

Four of the six states reporting double-digit declines — Alaska, Montana, North Dakota, and West Virginia — are particularly dependent on revenue from oil and minerals. The oil- and mineral-dependent states generally have very high reliance on severance taxes.[1] The steep oil price declines throughout 2015 and early 2016 led to declines in severance tax collections as well as in overall state tax collections and depressed overall economic activity, leading to weakness or declines in other taxes. The largest declines in total tax revenue were reported in North Dakota and Alaska at 32.6 and 23.7 percent, respectively. Total tax collections also declined in all other oil- and mineral-dependent states, such as Louisiana, New Mexico, Oklahoma, Texas, and Wyoming.

Personal Income Tax

Personal income tax revenues declined by 3.4 percent in nominal terms and by 4.6 percent in inflation-adjusted terms in the second quarter of 2016 compared to the same period in 2015. This was the first time states saw declines in personal income tax collections since the declines observed in the first and second quarters of 2014, which we believe was primarily driven by the taxpayer behavior associated with the fiscal cliff, as discussed in our previous reports.

All regions but the Rocky Mountain region had declines in personal income tax collections in the second quarter. The Mid-Atlantic and Plains regions reported the largest declines at 6.8 and 6.7 percent, respectively. Personal income tax collections grew by 1.6 percent in the Rocky Mountain region in the second quarter.

Overall, declines in personal income tax collections were widespread. Twenty-nine states reported declines in personal income tax collections for the quarter, with eleven states reporting double-digit declines. Declines were particularly large in North Dakota and Louisiana at 52.6 and 28.7 percent, respectively. The declines in North Dakota are partially attributable to cuts in income tax rates.

We can get a clearer picture of collections from the personal income tax by breaking this source down into four major components: withholding, quarterly estimated payments, final payments, and refunds. The Census Bureau does not collect data on individual components of personal income tax collections. The data presented here were collected by the Rockefeller Institute from the states directly. In this report we provide detailed income tax data for the second and third quarters of 2016. Table 2 shows growth for each major component in the last seven quarters.

Table 2. Growth in Personal Income Tax Components
Year-Over-Year Percent Change

PIT Component	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	Comments
Withholding	2.1%	5.0%	4.9%	2.0%	4.6%	2.7%	3.6%	Largest PIT component; generally reflects the current economy.
Estimated Payments	8.1%	18.2%	9.0%	14.3%	3.1%	-8.2%	-3.5%	Second quarter payments usually are heavily influenced by the previous year's stock market.
Final Returns	12.4%	20.0%	9.7%	16.2%	4.2%	-9.0%	-1.3%	Second quarter is usually the largest collections quarter.
Refunds	-3.2%	-1.0%	4.0%	0.1%	9.0%	7.6%	4.9%	A positive number means that refunds increased; negative means refunds decreased.
PIT Total	**6.2%**	**14.1%**	**5.8%**	**4.5%**	**2.6%**	**-4.5%**	**2.2%**	

Source: Individual state data, analysis by the Rockefeller Institute.
Note: The percent changes for total PIT differ from data reported by the U.S. Census Bureau.

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 7 shows state-by-state, year-over-year growth in withholding for the four quarters of 2015 and the first three quarters of 2016. Growth in withholding was 4.6 percent in the first quarter of 2016 but softened substantially in the second and third quarters, at 2.7 and 3.6 percent, respectively.

Thirty-three states reported growth in withholding for the second quarter of 2016, while eight states reported declines. The largest decline was in North Dakota at 33.8 percent, mostly driven by the legislated changes in tax rates, as well as the impact of the oil crash on the state economy and employment. According to

preliminary data, thirty-one states reported growth in the third quarter of 2016 and nine states reported declines.

All regions but the Southwest showed growth in withholding in the second and third quarters of 2016. The Rocky Mountain region had the strongest growth at 5.2 percent in the second quarter, while the Far West region had the strongest growth at 8.6 percent in the third quarter. Once again, withholding declines were common among oil- and mineral-dependent states.

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 small proportion of overall income-tax revenues, but can have a large impact on the direction of overall collections. Estimated payments accounted for roughly 36 percent of total personal income tax revenues in the second quarter of 2016 and roughly 12 percent in the third quarter.

The first payment for each tax year is due in April in most states and the second, third, and fourth payments are generally due in June, September, and January (although many high-income taxpayers make this last state income tax payment in December, so that it is deductible on the federal tax return for that year, rather than the next). In some states, the first estimated payment includes payments with extension requests for income tax 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.

The first payment is usually difficult to interpret as it can include a mix of payments related to the current tax year and the previous tax year. It can reflect, for example, stock market activity in the previous year. The second and third payments are easier to interpret because they are almost unambiguously related to the current year. Weakness in these payments can reflect weakness in nonwage income, such as that generated by the stock market. However, it can also be "noisy" in the sense that it reflects taxpayers' responses to tax payment rules as well as to expected nonwage income.

In the thirty-seven states for which we have data, the median year-over-year change was a decline of 1.7 percent for the third payment and a decline of 4.0 percent for the first three payments combined (see Table 8). These declines suggest that stock market

weakness in 2016 probably has been depressing recent income tax collections.

Declines in estimated payments were widespread. Twenty-four states reported declines for the third payment and thirty-two states reported declines for the first three payments combined.

Final Payments

Final payments normally represent a smaller share of total personal income tax revenues in the first, third, and fourth quarters of the tax year, and a much larger share in the second quarter of the tax year, due to the April 15th income tax return deadline. In the second and third quarters of 2016, final payments accounted roughly for 32 and 2 percent of all personal income tax revenues, respectively.

Final payments with personal income tax returns declined by 5.7 percent in the median state in the second quarter of 2016, and by 2.8 percent in the third quarter of 2016. Table 9**Error! Reference source not found.** shows year-over-year growth in final payments in the first, second, and third quarters of 2016.

Refunds

Personal income tax refunds grew by 7.6 and 4.9 percent, respectively, in the second and third quarters of 2016 compared to the same quarters in 2015. In total, states paid out about $1.5 billion and $0.2 billion more in refunds in the second and third quarters of 2016, respectively, compared to the same quarters in 2015. Overall, twenty-four states paid out more refunds in the second quarter of 2016 compared to the same quarter of 2015. California alone paid out $0.4 billion more in the second quarter of 2016. For the third quarter, twenty-seven states paid out more refunds, with Georgia and New York paying out over $100 million each.

The Stock Market and the Income Tax

Stock market declines can cause weakness or declines in income related to financial markets, particularly capital gains. The stock market declined significantly in the first half of 2016, but resumed growth in the second half. The stock market in 2015 was relatively weak, gaining only 6.7 percent as measured by the calendar-year average of the S&P 500 Index.[2] This was the weakest growth since 2010. The average annual growth rate for the previous five years was 15.4 percent.

The weak stock market in 2015 likely contributed to a small capital gains decline in 2015. As a result, many states saw negative surprises in April 2016 personal income tax collections, when 2015 tax returns were filed. The stock market weakness early in 2016 may have contributed to the large decline in estimated payments of personal income tax in the April-June quarter of 2016.

General Sales Tax

State sales tax collections in the April-June quarter grew 0.8 percent from the same period in 2015. However, inflation-adjusted figures indicate declines of 0.4 percent. Sales tax collections have seen continuous growth since the first quarter of 2010, with an average quarterly growth of 4.3 percent. The growth was substantially weaker in the second half of 2015 and first half of 2016.

Sales tax collections declined in the Southwest, Plains, and New England regions at 6.5, 3.5, and 1.1 percent, respectively, in the second quarter of 2016 compared to the same quarter in 2015. The Southeast region had the greatest increase at 4.0 percent, while the Mid-Atlantic region had the weakest growth at 2.1 percent.

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.

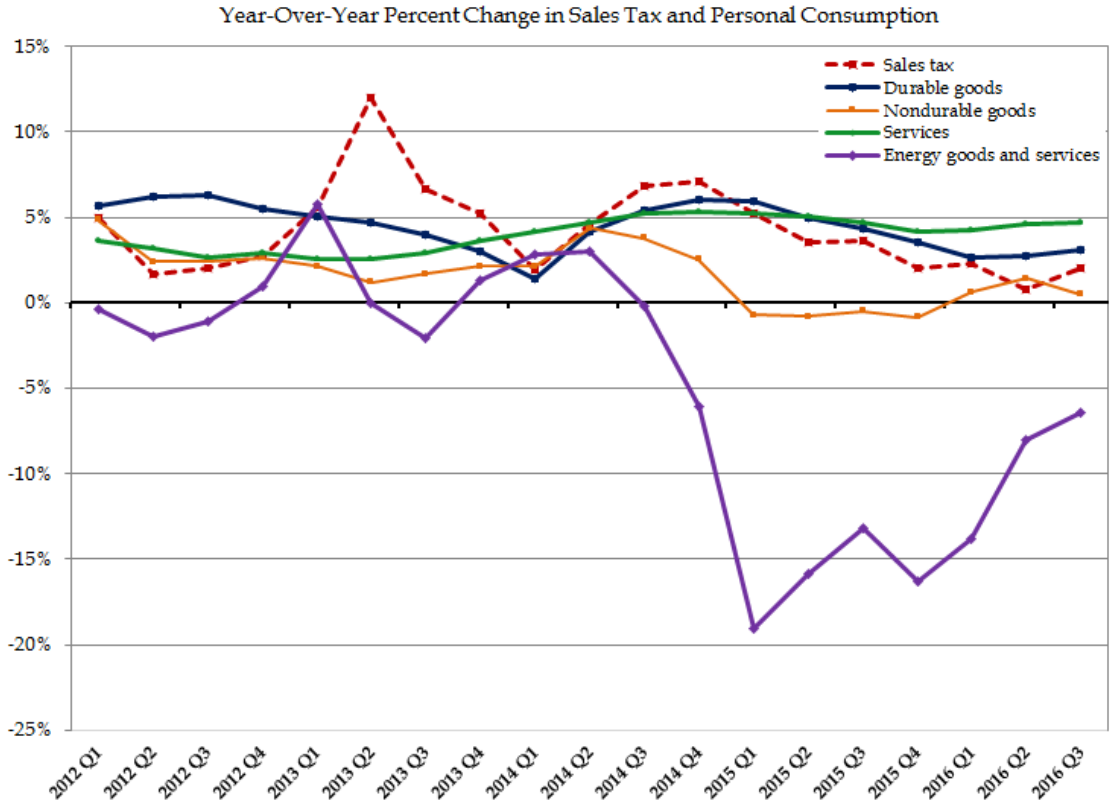
The weakness in sales tax collections is at least partially attributable to tax dollars owed but not collected on online sales. The online sales tax loophole has been an ongoing debate in the states and some states have adopted measures such as nexus or "Amazon" laws to address the issue. However, state efforts alone have had limited effectiveness and it may not be possible to fully stem revenue losses without Congressional action.

Figure 2 shows year-over-year percent change in nominal personal consumption expenditures for durable goods, nondurable goods, and services — factors related to sales tax revenues. Figure 2 also shows the year-over-year percent change in nominal sales tax revenue collections. In addition, we show year-over-year percent change in the consumption of energy goods and services.

Growth in the consumption of durable goods, an important element of state sales tax bases, has been relatively volatile in the most recent quarters, trending upward throughout 2014 and downward throughout 2015 and the first half of 2016. Nondurable consumption spending declined throughout 2015 but has resumed growth in 2016. The decline in nondurable goods is attributable to the declines in gasoline and other energy goods consumption,

which was driven downward due to steep declines in oil and gas prices. As shown in Figure 2, consumption of energy goods and services declined dramatically since the last quarter of 2014, which led to weakness in sales tax revenue collections throughout 2015 and 2016.

Figure 2. Declines in Energy Goods and Services Leads to Weakness in Sales Tax Growth



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis, National Income and Product Accounts, Table 2.3.5.

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 collect little revenue from corporate taxes, and can experience large fluctuations in percentage terms with little budgetary impact. There is often significant variation in states' gains or losses for this tax.

Corporate income tax revenue declined by 9.4 percent in the second quarter of 2016 compared to a year earlier, marking the fourth consecutive quarterly decline. Declines were widespread. Among forty-six states that have a corporate income tax, thirty-five states reported declines in the second quarter of 2016. The New England region was the only region reporting growth in corporate

income tax collections at 8.9 percent. All the other regions saw declines. The Great Lakes region had the largest decline at 21.7 percent.

Motor Fuel Sales Tax

Motor fuel sales tax collections in the second quarter of 2016 declined by 0.4 percent from the same period in 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.

Four regions — the Far West, Plains, New England, and Rocky Mountain — reported declines in motor fuel sales tax collections in the second quarter of 2016 compared to the same quarter in 2015. The rest of the regions reported growth. The Southeast region had the largest increase at 7.9 percent, while the Far West region had the largest decline at 12.8 percent. Sixteen states reported declines in motor fuel sales tax collections in the second quarter of 2016.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes. In Table 10, we show year-over-year growth rates of the four-quarter average of inflation-adjusted revenue for the nation as a whole. In the second quarter of 2016, states collected $53.9 billion from smaller tax sources, which comprised 20 percent of total state tax collections.

Revenues from smaller tax sources showed a mixed picture in the second quarter of 2016. Inflation-adjusted state property taxes, a small revenue source for states, increased by 3.5 percent. After six consecutive quarterly declines, collections from tobacco product sales finally resumed growth in the first half of 2016, at 0.4 percent in the second quarter of 2016. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 0.6 and 2.0 percent, respectively, in the second quarter of 2016. Revenues from all other smaller tax sources declined by 2.4 percent, marking the fifth consecutive quarterly decline.

Underlying Reasons for Tax Revenue 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

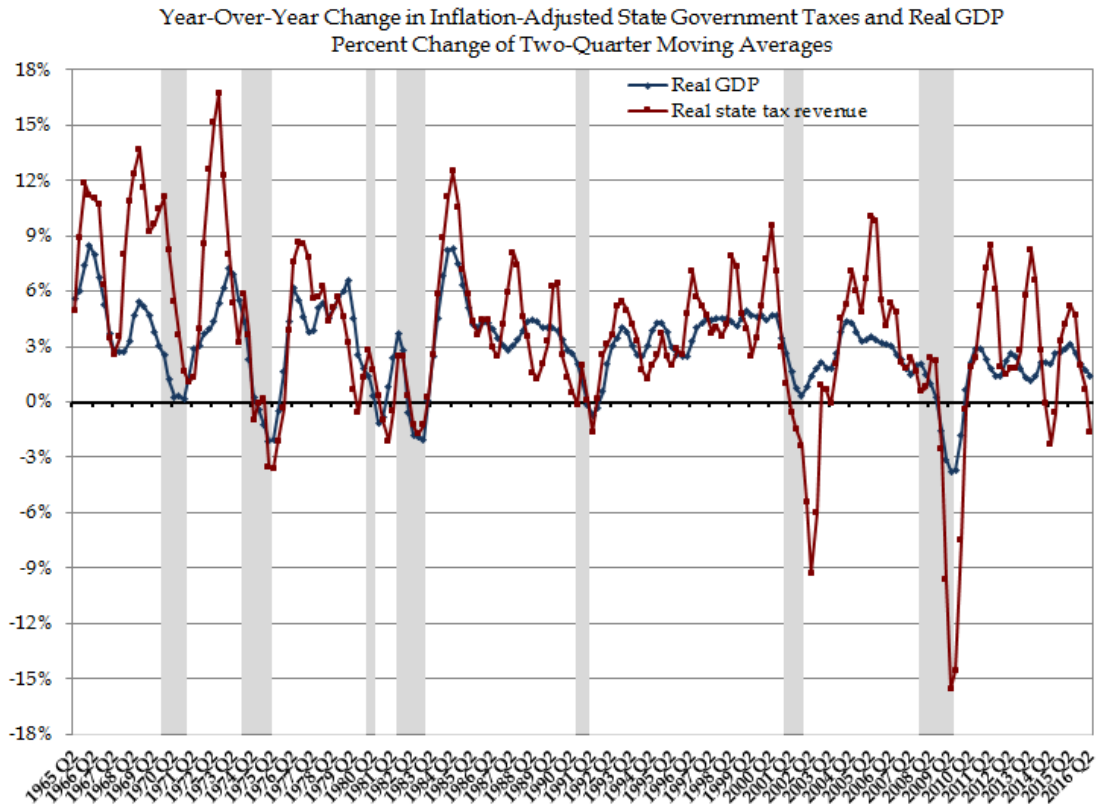
Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income goes up, the sales tax generates more revenue when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly, and when it declines, tax revenue tends to decline. Figure 3 shows year-over-year growth for two-quarter moving averages in real state tax revenue and in real gross domestic product (GDP), 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 3, real state tax revenue declined for two consecutive quarters in early 2014, but resumed growth afterwards. Growth in real state tax revenues was downward since the second quarter of 2015 and showed declines in the second quarter of 2016, at 1.7 percent. Real GDP showed uninterrupted growth since 2010 and grew by 1.4 percent in the second quarter of 2016. Overall, growth was also downward for the real GDP since the second quarter of 2015.

Yet, volatility in tax revenue is not fully explained by changes in real GDP, a broad measure of the economy. In 2009 and 2010, state revenue declines were often much larger than the quarterly reductions in real GDP. Throughout 2011, state tax revenue has risen significantly while the overall economy has been growing at a relatively slow pace. In the most recent years, state tax revenues have become even more volatile compared to the general economy. Overall, the growth has been downward both for real GDP and real state tax revenue in the second half of 2015 and the first half of 2016.

Figure 4 shows year-over-year employment growth in the third quarter of 2016 compared to the third quarter in 2015. For the nation as a whole, employment grew by 1.8 percent in the third quarter of 2016. On a year-over-year basis, employment grew in forty-four states. Six states — Alaska, Kansas, Louisiana, North Dakota, Oklahoma, and Wyoming — reported declines. The employment declines in these states are partially attributable to the large drop in oil prices as they are all highly reliant on the oil industry, with the exception of Kansas. Wyoming reported the largest declines at 3.1 percent, followed by North Dakota at 2.0 percent.

Figure 5 shows the year-over-year percent change in the four-quarter moving average housing price index and local property taxes. Declines in housing prices usually lead to declines in property taxes with some lag.

Figure 3. State Tax Revenue Is More Volatile Than the Economy



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).
Notes: (1) Percentage change of two-quarter moving averages; (2) No legislative adjustments; (3) Recession periods are shaded.

Figure 4. Percent Change in Nonfarm Employment

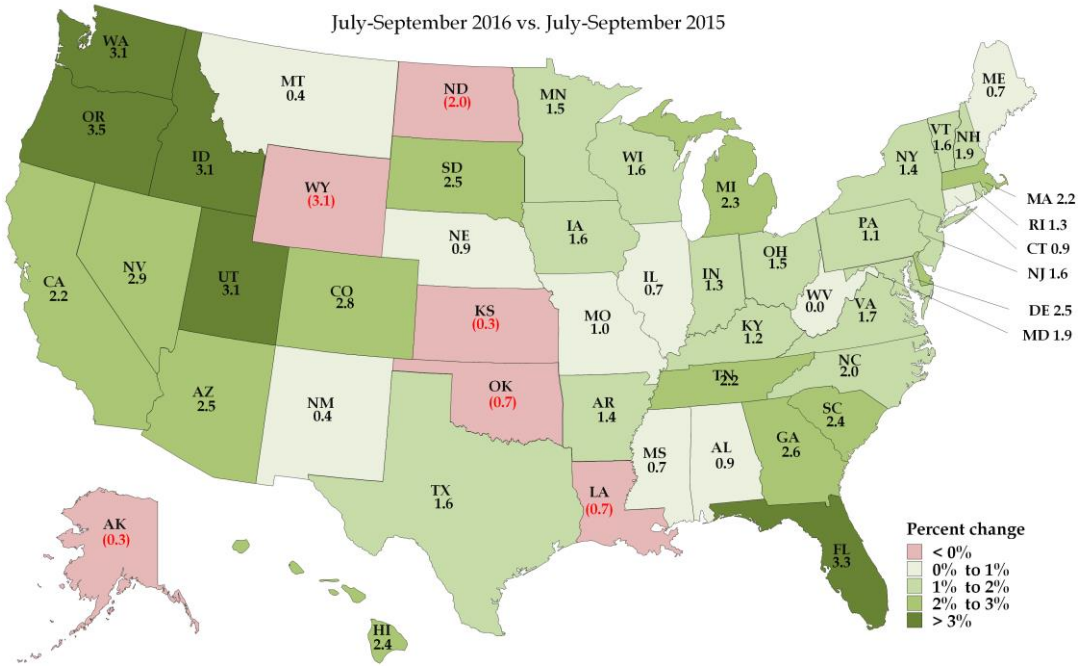
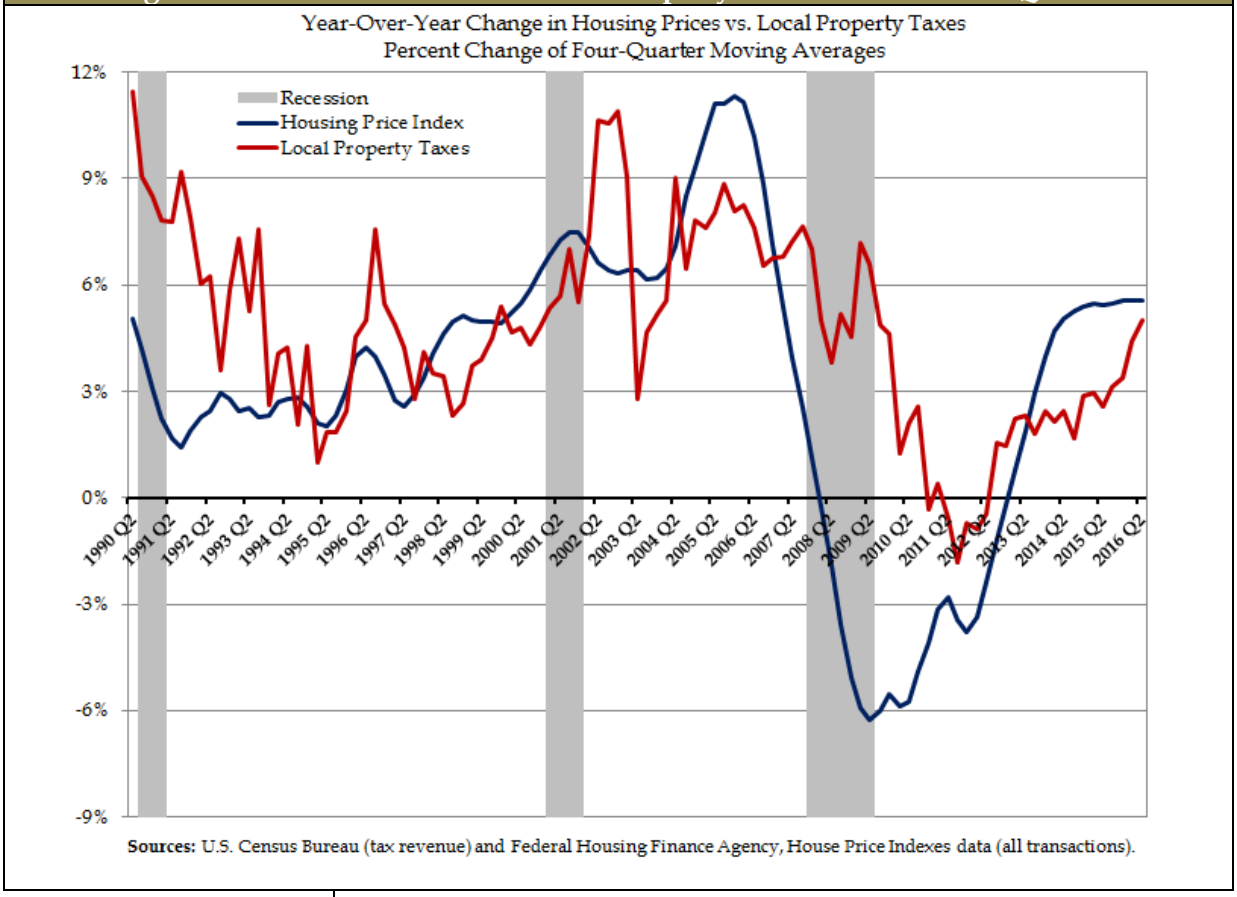


Figure 5. Continued Growth in Local Property Taxes in the Second Quarter



Sources: U.S. Census Bureau (tax revenue) and Federal Housing Finance Agency, House Price Indexes data (all transactions).

The deep declines in housing prices caused by the Great Recession led to a significant slowdown in property tax growth and then to an actual decline in fiscal years 2011 and 2012.[3] 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 decline in local property taxes lagged behind the decline in housing prices. The trend in the housing price index and local property taxes has been generally upward in the past four years. The housing price index grew by 5.6 percent while local property taxes grew by 5.0 percent in the second quarter of 2016, compared to the same period in 2015.

Tax Law Changes Affecting the Second Quarter of 2016

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the April-June 2016 quarter, enacted tax increases and decreases produced an estimated gain of $118 million compared to the same period in 2015.[4] Enacted tax changes decreased personal income tax by approximately $369 million, increased sales tax by $145 million, and increased corporate income taxes by $143 million. Enacted tax changes also increased

motor fuel taxes by $125 million and cigarette taxes by $141 million, and decreased some other taxes by $67 million. Below, we discuss some of the major enacted tax changes and their expected impact on tax revenues for fiscal 2016.

The most significant personal income tax changes were in Ohio, where officials implemented across-the-board income tax rate reductions, expanded the earned income tax credit and personal exemptions, and increased the small business tax deduction for those filers reporting business income under the personal income tax. These enacted changes are estimated to result in a $1.1 billion reduction in income tax collections in fiscal year 2016. In California, officials implemented an earned income tax credit that would increase the after-tax income of low-income workers and decrease personal income tax receipts by $380 million in fiscal 2016.[5]

The most noticeable sales tax changes are in Connecticut, Kansas, Louisiana, and Maine, where projected increases range between $107 million and $176 million. Connecticut has eliminated its clothing sales tax exemption and adopted other legislated sales tax changes. Kansas increased the sales tax rate, and Louisiana and Maine adopted various legislated sales tax changes.

The largest corporate income tax changes are in Connecticut and Louisiana, with projected increases of $258 and $405 million, respectively. In Connecticut, officials established mandatory unitary combined reporting, limited tax credits to 50.01 percent of tax, and implemented other legislated changes. In Louisiana, officials reduced various corporate income and franchise tax credits.

A few states also increased cigarette and motor fuel sales taxes. Louisiana and Ohio increased cigarette tax rates, while North Carolina and Washington increased their motor fuel sales.

Other major tax changes include a constitutional amendment to increase property tax relief in Texas, overwhelmingly approved by voters, and a business franchise tax rate reduction that combined will result in an estimated cost of $1.9 billion in fiscal 2016. In Georgia, officials created new annual alternative fuel vehicle fees estimated to result in an additional $868 million in fiscal 2016. Officials in Nevada enacted a combination of tax changes estimated to bring an additional $402 million in revenues to the state.

Overall, more states enacted significant tax changes for fiscal year 2016 than for the previous two fiscal years. The net enacted tax changes increase tax revenues in fiscal year 2016, while the net enacted tax changes reduced revenue for fiscal years 2014 and 2015.

Tax Revenue in the Third Quarter of 2016 Grew Slowly According to Preliminary Data

Preliminary figures collected by the Rockefeller Institute for the July-September quarter of 2016 show resumed but slow growth in overall state tax collections, as well as in personal income and sales tax collections. Total tax collections increased by 1.2 percent in the third quarter compared to the same quarter in 2015. Personal income tax collections grew 2.6 percent and sales tax collections grew 2.0 percent. Corporate income tax collections declined 9.6 percent.

Table 11 shows state-by-state changes in major tax revenues for the third quarter of 2016 compared to the same quarter of 2015. According to preliminary data, fourteen states saw declines in overall state tax revenue collections, with North Dakota reporting the largest declines.

States Forecast Weak Tax Revenue Growth in Fiscal 2017

As discussed in previous *State Revenue Reports*, the median state forecasted a slowdown in tax revenue growth in 2016 relative to 2015. The preliminary actual tax revenue collections indicated that state personal income and sales tax revenues grew by 2.9 percent each in fiscal year 2016 compared to fiscal year 2015.

The median state currently expects tax revenue to remain weak in 2017, albeit a very slight pickup in growth from 2016, as shown in Table 12 and Table 13. Based on recent tax revenue data, we suspect many forecasts will be revised downward.

Forecasts vary significantly from state to state, reflecting many factors including reliance on capital gains, overall state economic conditions, oil supplies and oil prices, financial and real estate market developments, state specific policy changes, and others. State revenue forecast updates will reflect these state-specific factors.

Table 12 shows actual collections for fiscal year 2015 and 2016 and the most recent forecasts for fiscal 2017 for personal income tax and sales tax revenues for forty-three states for which we were able to collect such data. In addition, Table 12 shows forecast data for fiscal 2018 for twenty-three states that report forecasts beyond fiscal 2017. These are the latest public estimates we were able to obtain as of the writing of this report.

Table 12 also shows the forecast by month and year. The forecast date provides insight into what information states had available when they prepared their forecasts. Clearly, some states did not have information on the profound weakness of the stock market in

early 2016 when they prepared their forecasts, and they may well make downward revisions in their next official forecasts.[6]

Table 13 shows the year-to-year percentage changes implied by states' forecasts. It also shows the median across states of the percentage changes. The median state forecast for personal income tax growth is 4.0 percent for 2017, which is slightly higher compared to actual growth in fiscal rate of 2.9 percent in fiscal 2016. Overall, fourteen states are forecasting slower growth in 2017 than in 2016. Four states — Arkansas, Maine, North Carolina, and Oklahoma — are projecting declines in personal income tax collections in 2017.

Forecasts for 2017 also indicate slightly higher growth in total sales tax collections. The median state forecast for sales tax growth is 4.2 percent in 2017, up from the 2.9 percent growth rate reported in 2016. Twelve states are forecasting slower sales tax growth in 2017 than in 2016. Three states — Connecticut, New Mexico, and Wyoming — are projecting declines in sales tax collections in 2017.

The overall picture is of continued, but sluggish, growth in fiscal year 2017. Weak forecasts are related to the poor stock market performance, the anticipated slow economic growth, the falling oil prices, the changing consumption and spending habits of Americans, and the long-term demographic changes, among other factors.

Federal Tax Reform: A New Uncertainty for State Budgets

President-Elect Trump has proposed significant cuts in top income tax rates, elimination of the Affordable Care Act's investment income tax, and substantial increases in the standard deduction, among other things. The likelihood of lower tax rates in 2017 creates a large incentive for high-income taxpayers to push income from wages, interest, and other sources out of 2016 into 2017, and to accelerate deductions into 2016, depressing taxable income in 2016. The elimination of the Affordable Care Act investment tax provision creates an incentive for high-income taxpayers to push capital gains out of 2016 into 2017, when the provision would not be in effect, and the increase in the standard deduction creates a modest incentive for middle-income taxpayers to accelerate itemized deductions into 2016, when these deductions will be most useful.

If these were the only effects, the general implications for state tax revenue would be clear even though the magnitude would be devilishly hard to predict: State taxable income would be depressed in 2016, and pushed up in 2017. We would expect to see lower payments of estimated income tax in December and January and lower payments of final returns in April and May, relative to what

otherwise would occur. While these effects are likely, they could be camouflaged in part by another effect: Very high income taxpayers can have an incentive to accelerate payments of state and local government taxes into 2016, to the extent that these taxes are deductible on federal income tax returns, so that they can be used against 2016's higher tax rates. Thus, these taxpayers would prefer to pay state income taxes in December rather than in January or in April when returns are filed, and they also might prefer to pay property taxes in 2016.

Thus, taxpayers will have incentives to reduce taxable income in 2016, but to increase payments of state and local government taxes in 2016. It will be very difficult for state revenue forecasters to sort this out. As we have discussed in past *State Revenue Reports*, behavioral incentives can have powerful effects on state tax revenue even if federal tax reform is not enacted or is substantially different than expected. The possibility and likelihood of reform is enough to change behavior. States will need to do their best to understand and estimate these potential impacts, and then buckle up for the ride.

Conclusion

State government tax revenues weakened significantly in the first and second quarters of 2016. According to preliminary data, weak growth resumed in the third quarter. The sharp declines in oil prices and the weak stock market likely were the primary causes of the depressed state tax revenues in the first half of 2016. The stock market has since recovered, but depressed oil prices continued to be a significant drag on the oil- and mineral-dependent states.

State budgets face a major new uncertainty in the aftermath of the election: the likelihood of significant federal tax reform. Even if a bill is not enacted, or is delayed, or is enacted in substantially different form than expected, taxpayers are likely to change their behavior in anticipation of legislation, in ways that could have profound and hard-to-interpret impacts on state tax revenue. States will need to stay alert in the coming months and do their best to estimate these impacts.

Table 3. Quarterly State Tax Revenue

Year-Over-Year Percent Change

Quarter	Nominal Change	Inflation Rate	Real Change
2016 Q2	(2.1)	1.2	(3.3)
2016 Q1	1.6	1.2	0.3
2015 Q4	2.1	1.1	1.0
2015 Q3	4.0	1.0	3.0
2015 Q2	7.2	1.1	6.0
2015 Q1	5.3	1.1	4.2
2014 Q4	5.8	1.5	4.2
2014 Q3	4.4	1.9	2.4
2014 Q2	(0.9)	2.0	(2.9)
2014 Q1	0.1	1.7	(1.6)
2013 Q4	3.2	1.6	1.5
2013 Q3	5.7	1.5	4.1
2013 Q2	10.1	1.6	8.5
2013 Q1	9.8	1.8	7.9
2012 Q4	5.6	1.9	3.6
2012 Q3	3.7	1.7	1.9
2012 Q2	3.5	1.7	1.7
2012 Q1	3.9	2.0	1.9
2011 Q4	3.1	1.9	1.1
2011 Q3	5.1	2.3	2.7
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	5.7	1.6	4.0
2010 Q2	2.2	1.1	1.0
2010 Q1	3.4	0.5	2.9
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(10.9)	0.3	(11.2)
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

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

Table 4. Quarterly State Tax Revenue By Major Tax

Year-Over-Year Percent Change

Quarter	PIT	CIT	General Sales	Motor Fuel	Total
2016 Q2	(3.4)	(9.4)	0.8	(0.4)	(2.1)
2016 Q1	1.8	(5.5)	2.3	2.6	1.6
2015 Q4	5.1	(9.8)	2.0	3.7	2.1
2015 Q3	6.5	(0.1)	3.6	5.0	4.0
2015 Q2	14.0	6.2	3.6	3.2	7.2
2015 Q1	6.9	3.1	5.2	4.5	5.3
2014 Q4	8.5	9.5	7.1	2.4	5.8
2014 Q3	4.2	7.7	6.8	0.6	4.4
2014 Q2	(6.5)	(1.3)	4.6	4.0	(0.9)
2014 Q1	(1.0)	8.2	1.9	2.8	0.1
2013 Q4	0.7	2.8	5.2	3.5	3.2
2013 Q3	5.4	2.0	6.7	2.9	5.7
2013 Q2	18.5	10.8	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	8.5	2.0	2.1	3.7
2012 Q2	5.7	(1.9)	1.7	1.7	3.5
2012 Q1	4.4	3.6	5.0	1.0	3.9
2011 Q4	2.9	(3.3)	2.9	0.7	3.1
2011 Q3	9.2	0.9	1.7	(0.2)	5.1
2011 Q2	15.3	16.6	6.1	7.4	11.2
2011 Q1	12.3	4.1	6.4	13.3	10.1
2010 Q4	10.8	12.1	5.5	11.8	8.2
2010 Q3	4.5	0.5	4.7	10.7	5.7
2010 Q2	1.5	(19.0)	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	(11.5)	(21.3)	(10.1)	2.3	(10.9)
2009 Q2	(27.3)	3.0	(9.4)	(1.5)	(16.2)
2009 Q1	(18.8)	(20.2)	(8.4)	(3.6)	(12.2)
2008 Q4	(1.3)	(23.0)	(5.3)	(5.0)	(3.9)
2008 Q3	0.8	(13.2)	4.7	(5.0)	2.7
2008 Q2	7.6	(7.0)	1.0	(3.1)	5.3
2008 Q1	5.0	(1.4)	0.7	1.1	2.9
2007 Q4	2.3	(14.5)	4.0	1.8	3.1
2007 Q3	6.4	(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

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

Table 5. Quarterly State Tax Revenue, By State

	April-June 2015 ($ in millions)					April-June 2016 ($ in millions)				
	PIT	CIT	Sales	MFT	Total	PIT	CIT	Sales	MFT	Total
United States	**112,111**	**18,400**	**80,036**	**11,812**	**277,053**	**108,273**	**16,669**	**80,680**	**11,761**	**271,264**
New England	**9,513**	**1,334**	**3,691**	**493**	**19,010**	**9,147**	**1,453**	**3,649**	**457**	**18,892**
Connecticut	3,543	306	1,409	144	6,445	3,420	369	1,441	128	6,531
Maine	564	65	423	79	1,399	483	61	329	58	1,191
Massachusetts	4,694	666	1,526	190	8,024	4,585	717	1,553	192	8,043
New Hampshire	56	200	N/A	38	645	46	252	N/A	37	656
Rhode Island	397	71	246	21	974	365	31	238	23	934
Vermont	258	25	87	21	1,524	248	22	87	19	1,536
Mid-Atlantic	**26,154**	**3,476**	**10,927**	**1,695**	**52,204**	**24,369**	**3,098**	**11,156**	**1,715**	**50,381**
Delaware	463	243	N/A	36	1,419	454	101	N/A	38	1,317
Maryland	2,965	387	1,530	352	6,707	2,783	358	1,556	359	6,670
New Jersey	5,062	978	3,394	189	11,845	4,086	854	3,443	195	10,888
New York	13,844	1,072	3,413	398	22,466	13,293	848	3,501	380	21,625
Pennsylvania	3,820	797	2,590	721	9,766	3,753	936	2,657	743	9,881
Great Lakes	**13,421**	**2,560**	**10,739**	**1,568**	**35,534**	**12,935**	**2,005**	**11,079**	**1,584**	**35,286**
Illinois	4,528	1,425	2,280	322	10,953	3,950	1,164	2,287	339	10,046
Indiana	1,827	406	1,832	211	4,959	1,762	362	1,849	212	4,841
Michigan	2,060	387	1,858	228	5,533	2,562	181	2,091	237	6,370
Ohio	2,672	2	3,083	474	8,350	2,161	3	3,101	448	8,108
Wisconsin	2,333	339	1,686	334	5,738	2,499	295	1,751	348	5,921
Plains	**8,377**	**1,165**	**5,265**	**936**	**20,024**	**7,814**	**1,046**	**5,080**	**860**	**18,851**
Iowa	1,211	202	1,004	255	3,156	963	179	786	172	2,581
Kansas	825	172	752	110	2,378	715	140	801	111	2,298
Minnesota	3,470	420	1,619	217	7,623	3,501	476	1,663	220	7,750
Missouri	1,927	189	859	187	3,624	1,818	122	888	182	3,466
Nebraska	754	95	444	79	1,495	728	75	446	88	1,444
North Dakota	190	80	362	52	1,340	90	53	269	45	903
South Dakota	N/A	8	225	37	406	N/A	1	228	42	408
Southeast	**16,258**	**3,810**	**17,187**	**3,258**	**51,281**	**16,223**	**3,719**	**17,883**	**3,515**	**52,107**
Alabama	958	137	637	143	2,403	1,035	137	669	150	2,553
Arkansas	814	154	780	118	2,629	864	150	811	123	2,678
Florida	N/A	798	5,589	995	10,442	N/A	853	5,785	1,070	10,591
Georgia	2,679	329	1,361	313	5,284	2,749	311	1,427	447	5,592
Kentucky	1,253	331	854	188	3,182	1,252	295	899	193	3,187
Louisiana	805	192	774	155	2,670	574	214	961	160	2,612
Mississippi	575	136	950	97	2,230	568	100	973	117	2,275
North Carolina	3,594	584	1,719	493	7,552	3,614	520	1,876	493	7,752
South Carolina	1,046	193	1,021	143	2,735	1,197	169	847	150	2,719
Tennessee	267	600	1,999	217	4,211	282	624	2,107	232	4,439
Virginia	3,603	318	1,176	289	6,341	3,507	309	1,198	293	6,286
West Virginia	663	39	328	108	1,602	581	39	331	90	1,423
Southwest	**2,550**	**478**	**14,535**	**1,257**	**24,452**	**2,528**	**385**	**13,590**	**1,310**	**22,977**
Arizona	1,158	257	1,543	199	3,869	1,287	208	1,661	206	4,055
New Mexico	380	73	539	96	1,637	356	52	554	101	1,526
Oklahoma	1,012	148	651	105	2,509	885	126	604	117	2,276
Texas	N/A	N/A	11,803	857	16,437	N/A	N/A	10,771	885	15,121
Rocky Mountain	**4,169**	**575**	**1,710**	**452**	**8,915**	**4,234**	**506**	**1,767**	**443**	**8,815**
Colorado	2,097	262	701	172	3,808	2,160	244	695	166	3,829
Idaho	510	84	371	62	1,181	527	82	396	84	1,257
Montana	418	61	N/A	91	962	396	33	N/A	51	809
Utah	1,144	168	466	100	2,100	1,151	148	496	118	2,129
Wyoming	N/A	N/A	171	28	864	N/A	N/A	181	24	791
Far West	**31,668**	**5,002**	**15,982**	**2,153**	**65,634**	**31,022**	**4,457**	**16,475**	**1,877**	**63,956**
Alaska	N/A	77	N/A	10	279	N/A	52	N/A	11	213
California	28,711	4,692	10,330	1,478	51,862	28,111	4,158	10,372	1,180	49,544
Hawaii	571	13	774	24	1,735	602	56	802	22	1,857
Nevada	N/A	N/A	1,725	128	3,083	N/A	N/A	1,801	133	3,368
Oregon	2,387	220	N/A	125	3,436	2,309	192	N/A	129	3,300
Washington	N/A	N/A	3,154	388	5,239	N/A	N/A	3,500	402	5,674

Source: U.S. Census Bureau (tax revenue). **Notes:** MFT – motor fuel tax; N/A – not applicable.

Table 6. Percent Change in Quarterly State Tax Revenue

April-June, 2015-2016, Percent Change

	PIT	CIT	Sales	MFT	Total
United States	**(3.4)**	**(9.4)**	**0.8**	**(0.4)**	**(2.1)**
New England	**(3.8)**	**8.9**	**(1.1)**	**(7.1)**	**(0.6)**
Connecticut	(3.5)	20.4	2.3	(10.6)	1.3
Maine	(14.4)	(5.4)	(22.2)	(27.5)	(14.8)
Massachusetts	(2.3)	7.7	1.8	1.3	0.2
New Hampshire	(17.1)	26.1	N/A	(3.2)	1.8
Rhode Island	(8.2)	(57.0)	(2.9)	9.4	(4.0)
Vermont	(3.9)	(13.1)	0.4	(6.6)	0.8
Mid-Atlantic	**(6.8)**	**(10.9)**	**2.1**	**1.2**	**(3.5)**
Delaware	(1.8)	(58.3)	N/A	6.0	(7.2)
Maryland	(6.2)	(7.4)	1.7	2.0	(0.5)
New Jersey	(19.3)	(12.6)	1.4	3.5	(8.1)
New York	(4.0)	(20.9)	2.6	(4.4)	(3.7)
Pennsylvania	(1.8)	17.5	2.6	3.0	1.2
Great Lakes	**(3.6)**	**(21.7)**	**3.2**	**1.0**	**(0.7)**
Illinois	(12.8)	(18.3)	0.3	5.3	(8.3)
Indiana	(3.5)	(10.8)	0.9	0.8	(2.4)
Michigan	24.4	(53.2)	12.5	3.9	15.1
Ohio	(19.1)	24.3	0.6	(5.4)	(2.9)
Wisconsin	7.1	(13.0)	3.9	4.0	3.2
Plains	**(6.7)**	**(10.2)**	**(3.5)**	**(8.0)**	**(5.9)**
Iowa	(20.5)	(11.1)	(21.7)	(32.6)	(18.2)
Kansas	(13.3)	(18.8)	6.6	1.4	(3.4)
Minnesota	0.9	13.3	2.7	1.7	1.7
Missouri	(5.7)	(35.7)	3.3	(2.8)	(4.4)
Nebraska	(3.5)	(20.4)	0.4	11.5	(3.4)
North Dakota	(52.6)	(33.7)	(25.7)	(13.1)	(32.6)
South Dakota	N/A	(81.7)	1.4	15.2	0.3
Southeast	**(0.2)**	**(2.4)**	**4.0**	**7.9**	**1.6**
Alabama	8.0	0.2	5.1	4.8	6.3
Arkansas	6.1	(2.6)	3.9	4.2	1.9
Florida	N/A	6.8	3.5	7.5	1.4
Georgia	2.6	(5.6)	4.9	42.5	5.8
Kentucky	(0.1)	(10.9)	5.2	2.3	0.2
Louisiana	(28.7)	11.6	24.1	3.1	(2.2)
Mississippi	(1.2)	(26.6)	2.4	20.4	2.0
North Carolina	0.6	(11.0)	9.1	(0.0)	2.6
South Carolina	14.4	(12.0)	(17.0)	5.3	(0.6)
Tennessee	5.6	3.9	5.4	6.7	5.4
Virginia	(2.7)	(2.8)	1.8	1.4	(0.9)
West Virginia	(12.4)	(1.0)	0.9	(16.6)	(11.1)
Southwest	**(0.9)**	**(19.4)**	**(6.5)**	**4.2**	**(6.0)**
Arizona	11.2	(19.0)	7.7	3.5	4.8
New Mexico	(6.3)	(29.1)	2.8	5.6	(6.8)
Oklahoma	(12.6)	(15.4)	(7.2)	11.4	(9.3)
Texas	N/A	N/A	(8.7)	3.2	(8.0)
Rocky Mountain	**1.6**	**(12.0)**	**3.4**	**(2.0)**	**(1.1)**
Colorado	3.0	(6.8)	(0.9)	(3.1)	0.5
Idaho	3.4	(2.6)	6.6	35.5	6.4
Montana	(5.4)	(45.9)	N/A	(43.9)	(15.9)
Utah	0.7	(12.3)	6.4	17.8	1.4
Wyoming	N/A	N/A	5.4	(13.1)	(8.4)
Far West	**(2.0)**	**(10.9)**	**3.1**	**(12.8)**	**(2.6)**
Alaska	N/A	(32.0)	N/A	13.7	(23.7)
California	(2.1)	(11.4)	0.4	(20.1)	(4.5)
Hawaii	5.4	NM	3.7	(7.3)	7.0
Nevada	N/A	N/A	4.4	3.5	9.2
Oregon	(3.2)	(12.8)	N/A	3.5	(4.0)
Washington	N/A	N/A	11.0	3.5	8.3

Source: U.S. Census Bureau (tax revenue). **Notes:** MFT – motor fuel tax; N/A – not applicable; NM - not meaningful.

Table 7. Personal Income Tax Withholding

Year-Over-Year Percent Change

	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3
United States	**2.1**	**5.0**	**4.9**	**2.0**	**4.6**	**2.7**	**3.6**
New England	**3.9**	**5.0**	**4.6**	**3.3**	**3.4**	**2.8**	**4.5**
Connecticut	3.0	2.3	3.2	5.4	4.1	3.9	4.0
Maine	3.7	5.5	4.9	9.3	(0.0)	(4.1)	(5.9)
Massachusetts	5.1	6.3	5.1	1.9	3.1	3.0	5.9
Rhode Island	2.9	5.2	3.9	(1.0)	3.2	3.5	7.9
Vermont	(7.1)	3.9	7.9	5.3	8.2	4.7	1.5
Mid-Atlantic	**1.3**	**5.5**	**7.3**	**1.1**	**4.6**	**0.9**	**0.2**
Delaware	(4.4)	5.3	7.5	4.4	1.2	1.2	1.6
Maryland	4.1	3.6	4.9	5.6	4.2	(0.6)	8.4
New Jersey	(2.0)	6.6	9.5	(5.2)	7.0	2.5	(9.1)
New York	1.8	6.5	7.2	2.3	3.7	0.8	0.9
Pennsylvania	(0.1)	3.7	8.3	(2.1)	6.8	1.5	(1.4)
Great Lakes	**(3.7)**	**(4.8)**	**(2.0)**	**(4.5)**	**2.5**	**2.9**	**0.3**
Illinois	(15.2)	(21.0)	(16.0)	(19.7)	(1.6)	1.3	(7.9)
Indiana	4.0	3.9	4.2	2.1	3.0	3.4	4.6
Michigan	3.3	4.3	9.1	6.0	8.6	5.0	4.9
Ohio	3.8	1.7	2.5	2.2	0.5	0.5	1.1
Wisconsin	(2.4)	1.3	5.2	3.2	4.3	4.8	4.7
Plains	**6.4**	**5.5**	**2.3**	**3.7**	**3.8**	**1.9**	**6.0**
Iowa	6.2	4.8	4.8	3.0	6.1	3.4	4.0
Kansas	1.8	(0.3)	(0.6)	(0.1)	1.6	2.1	3.5
Minnesota	6.2	7.8	0.1	5.1	4.2	1.7	9.0
Missouri	7.4	6.1	4.9	4.5	5.4	3.4	ND
Nebraska	6.7	5.1	6.7	5.4	2.9	5.5	6.2
North Dakota	26.6	(5.4)	(11.6)	(16.2)	(23.4)	(33.8)	(23.4)
Southeast	**2.9**	**5.4**	**5.2**	**1.7**	**5.3**	**3.2**	**3.8**
Alabama	5.3	4.6	2.3	3.6	2.7	4.0	2.4
Arkansas	4.5	(5.1)	(7.7)	(6.0)	(5.8)	5.1	3.6
Georgia	3.7	5.5	8.0	3.6	8.1	6.0	4.6
Kentucky	3.7	7.3	5.3	2.6	6.4	4.7	4.9
Louisiana	8.9	3.4	2.5	1.5	(4.6)	(1.4)	(0.6)
Mississippi	1.3	3.0	0.9	2.3	3.4	3.6	1.6
North Carolina	(0.8)	7.6	10.3	1.8	9.1	4.2	3.6
South Carolina	2.7	4.8	5.5	3.6	8.9	5.8	7.5
Virginia	2.6	6.8	4.4	0.3	5.3	(0.5)	4.1
West Virginia	4.5	6.1	(1.6)	(0.8)	(2.7)	(2.5)	(1.0)
Southwest	**0.3**	**5.0**	**3.8**	**0.1**	**0.5**	**(0.9)**	**(0.1)**
Arizona	3.2	4.6	4.9	3.1	3.8	4.4	5.1
New Mexico*	(14.8)	14.3	11.3	(1.0)	2.8	(5.2)	(1.8)
Oklahoma	3.1	1.9	(0.6)	(3.3)	(4.7)	(6.3)	(6.4)
Rocky Mountain	**6.6**	**7.1**	**7.1**	**5.1**	**5.7**	**5.2**	**5.4**
Colorado	7.0	6.6	7.0	4.7	4.6	4.9	3.9
Idaho	7.4	7.3	5.9	2.4	4.7	8.2	7.9
Montana	6.3	4.8	4.9	0.1	4.6	3.3	3.7
Utah	5.3	8.8	8.5	8.7	8.9	5.1	7.8
Far West	**4.2**	**11.7**	**8.1**	**6.8**	**6.6**	**4.3**	**8.6**
California	3.7	12.6	8.0	6.8	6.3	3.8	8.8
Hawaii*	2.4	8.5	6.2	0.7	7.8	4.4	9.9
Oregon	9.3	6.0	9.5	7.9	8.6	8.5	6.9

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: Nine states — Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming — have no broad-based personal income tax and are not shown in this table.
* 2016 Q3 data for Hawaii and New Mexico excludes September withholding. ND - no data.

Table 8. Estimated Payments/ Declarations

Year-Over-Year Percent Change

State	July-Sep 2015 (3rd payment, 2015)	Apr-Sep 2015 (first three payments, 2015)	July-Sep 2016 (3rd payment, 2016)	Apr-Sep 2016 (first three payments, 2016)
Average	**9.0**	**15.3**	**(3.5)**	**(6.8)**
Median	**9.4**	**11.9**	**(1.7)**	**(4.0)**
Alabama	7.1	11.4	(8.5)	(6.7)
Arizona	12.8	19.6	(1.7)	(5.4)
Arkansas	1.0	7.0	3.2	(3.0)
California	12.6	16.6	(0.8)	(4.0)
Colorado	14.2	21.4	4.9	(4.5)
Connecticut	5.8	5.8	(9.9)	(8.9)
Delaware	2.6	14.0	14.0	2.8
Georgia	10.9	15.0	2.5	(1.3)
Hawaii*	75.5	30.4	(23.7)	(4.9)
Illinois	0.3	6.1	(28.7)	(35.5)
Indiana	(18.9)	1.1	62.3	28.9
Iowa	(4.6)	7.6	3.7	(0.2)
Kansas	27.4	30.3	(15.2)	(13.8)
Kentucky	20.4	22.0	1.6	(1.5)
Louisiana	(2.2)	(3.4)	(9.8)	(8.5)
Maine	25.1	24.5	(2.5)	(6.0)
Maryland	(21.8)	(3.6)	23.7	6.4
Massachusetts	8.1	9.6	(3.8)	(3.6)
Michigan	17.8	19.8	1.6	(1.6)
Minnesota	11.5	17.2	(0.5)	(2.7)
Mississippi	0.7	4.4	(3.4)	(7.3)
Missouri	13.0	14.3	ND	ND
Montana	17.6	17.5	(1.8)	(3.9)
Nebraska	6.5	9.5	(2.4)	(4.6)
New Jersey	18.0	14.4	(16.8)	(10.5)
New York	12.1	23.0	(5.1)	(9.3)
North Carolina	12.4	13.1	0.3	(1.9)
North Dakota	(17.0)	3.2	(34.6)	(48.3)
Ohio	(3.9)	0.4	(31.2)	(31.4)
Oklahoma	(6.8)	2.4	(14.5)	(19.4)
Oregon	14.4	15.2	(1.1)	(1.4)
Pennsylvania	12.2	13.9	(5.2)	(29.3)
Rhode Island	10.8	8.2	(1.2)	(0.8)
South Carolina	0.9	7.1	4.9	2.3
Vermont	11.9	12.4	(0.8)	(2.0)
Virginia	6.8	10.7	3.2	1.6
West Virginia	(2.4)	6.4	(13.8)	(13.8)
Wisconsin	5.1	9.8	0.2	(2.8)

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: * 2016 data for Hawaii exclude September 2016 estimated payments.
ND - no data.

Table 9. Final Payments

Year-Over-Year Percent Change

State	2016 Q1	2016 Q2	2016 Q3
Average	**4.1**	**(9.0)**	**(1.3)**
Median	**3.8**	**(5.7)**	**(2.8)**
Alabama	7.9	(4.4)	16.2
Arizona	9.2	3.3	(7.7)
Arkansas	14.8	(6.2)	(8.7)
California	6.5	6.5	5.3
Colorado	(0.2)	(2.7)	(12.5)
Connecticut	21.5	(80.2)	(12.3)
Delaware	65.7	(10.2)	3.4
Georgia	4.3	0.8	(22.2)
Hawaii*	12.0	6.3	10.8
Idaho	(8.1)	2.6	15.9
Illinois	(43.4)	(39.0)	(30.3)
Indiana	(13.6)	(13.4)	(35.1)
Iowa	(9.8)	(7.9)	(0.3)
Kansas	3.2	(10.3)	(11.2)
Kentucky	NM	(192.1)	NM
Louisiana	0.1	(8.2)	10.5
Maine	1.0	0.4	7.6
Maryland	31.6	(8.8)	16.3
Massachusetts	(24.8)	(9.0)	7.6
Michigan	8.5	(3.8)	(11.8)
Minnesota	(0.4)	4.1	2.8
Missouri	(5.2)	(5.0)	ND
Montana	18.1	(10.3)	(2.8)
Nebraska	4.8	(4.5)	(3.0)
New Jersey	10.3	(2.5)	(5.0)
New Mexico*	0.0	0.0	(8.1)
New York	5.6	0.3	(11.9)
North Carolina	20.7	1.6	3.9
North Dakota	(18.8)	(37.5)	(8.3)
Ohio	(26.6)	(37.2)	(15.8)
Oklahoma	(11.6)	(16.3)	2.8
Pennsylvania	2.6	(7.7)	(21.8)
Rhode Island	(17.3)	(10.1)	16.7
South Carolina	60.6	12.3	49.5
Utah	28.6	(3.0)	3.3
Vermont	12.5	(8.9)	21.0
Virginia	86.3	(5.7)	(18.7)
West Virginia	(5.5)	(17.6)	(4.0)
Wisconsin	1.4	2.6	15.1

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: * 2016 Q3 data for Hawaii and New Mexico exclude September withholding.
ND - no data, NM - not meaningful.

Table 10. Percent Change in Inflation Adjusted State Taxes Other Than PIT, CIT, General Sales, and Motor Fuel Sales Taxes

Quarter	Property Tax	Tobacco Product Sales Tax	Alcoholic Beverage Sales Tax	Motor Vehicle and Operators License Taxes	Other Taxes
Nominal collections (mlns), last 4 quarters	**$15,751**	**$17,981**	**$6,380**	**$27,606**	**$130,477**
2016 Q2	3.5	0.4	0.6	2.0	(2.4)
2016 Q1	4.4	1.5	2.7	1.8	(1.6)
2015 Q4	8.0	(0.1)	1.6	2.6	(1.0)
2015 Q3	5.7	(0.9)	1.4	1.5	(0.4)
2015 Q2	4.9	(2.1)	1.6	1.2	(0.3)
2015 Q1	4.1	(3.9)	(0.2)	1.2	0.1
2014 Q4	0.8	(4.6)	1.5	(0.6)	(1.8)
2014 Q3	3.3	(3.6)	1.4	0.7	(1.0)
2014 Q2	5.3	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	0.9
2013 Q3	3.4	3.7	(2.3)	(0.4)	1.0
2013 Q2	(0.2)	(0.9)	(1.7)	(0.8)	0.8
2013 Q1	(3.2)	(1.5)	(0.0)	0.3	4.3
2012 Q3	(4.8)	(2.5)	2.3	2.1	2.6
2012 Q3	(9.2)	(3.3)	3.5	3.1	3.5
2012 Q2	(10.5)	(2.2)	3.1	3.1	4.6
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	12.4
2011 Q2	(3.9)	0.7	1.5	1.5	12.5
2011 Q1	2.4	2.7	3.1	3.3	9.3
2010 Q4	8.1	3.1	3.2	4.0	7.4
2010 Q3	13.3	2.2	3.0	5.6	4.3
2010 Q2	13.4	0.6	2.2	3.9	(2.3)
2010 Q1	9.9	(1.1)	0.8	1.5	(9.3)
2009 Q4	6.1	(1.5)	0.6	0.2	(14.0)
2009 Q3	(0.5)	0.4	0.1	(1.2)	(13.7)
2009 Q2	(2.0)	1.3	(0.1)	(0.9)	(7.3)
2009 Q1	(3.7)	2.6	0.4	(0.4)	3.7
2008 Q4	(2.8)	3.1	0.5	(1.1)	7.9
2008 Q3	1.8	3.5	(0.1)	(0.5)	10.5
2008 Q2	3.4	5.9	0.6	(0.3)	8.4
2008 Q1	4.1	6.2	0.6	(1.0)	3.8
2007 Q4	3.6	6.2	0.6	(0.4)	2.5
2007 Q3	1.6	4.0	1.7	(0.8)	(0.2)
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

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

Table 11. Preliminary Quarterly State Tax Revenue

July-September 2015 vs 2016, Percent Change

	PIT	CIT	Sales	Total
United States	**2.6**	**(9.6)**	**2.0**	**1.2**
New England	**2.2**	**17.9**	**2.0**	**3.3**
Connecticut	0.9	41.5	(1.8)	1.0
Maine	(3.8)	79.7	8.4	5.1
Massachusetts	3.5	15.6	2.2	4.1
New Hampshire	(7.1)	14.4	N/A	3.4
Rhode Island	2.4	(22.5)	2.3	2.6
Vermont	(0.8)	(20.2)	(0.4)	0.6
Mid-Atlantic	**(0.1)**	**(11.2)**	**1.3**	**(3.9)**
Delaware	3.2	(19.0)	N/A	(1.0)
Maryland	11.5	(14.5)	1.6	6.0
New Jersey	2.7	(3.3)	2.5	0.5
New York	(1.8)	(15.0)	1.6	(8.1)
Pennsylvania	(3.5)	(7.6)	0.2	(1.4)
Great Lakes	**(0.3)**	**(28.2)**	**2.0**	**(0.1)**
Illinois	(5.4)	(32.2)	3.7	(3.9)
Indiana	9.0	(8.8)	2.6	3.9
Michigan	3.6	(56.3)	1.3	1.2
Ohio	(4.5)	(121.0)	1.5	(0.6)
Wisconsin	3.6	(11.9)	0.9	1.3
Plains	**4.5**	**(26.0)**	**0.0**	**(5.5)**
Iowa	2.4	(36.4)	4.2	1.0
Kansas	4.8	(20.1)	(1.6)	(1.0)
Minnesota	6.5	(23.3)	(0.4)	0.6
Missouri	4.6	(21.8)	2.3	2.3
Nebraska	4.6	(40.0)	1.0	0.5
North Dakota	(30.8)	(63.4)	(18.0)	(70.1)
South Dakota	N/A	N/A	8.9	7.6
Southeast	**3.1**	**0.5**	**5.2**	**4.1**
Alabama	2.1	(54.9)	2.8	(3.4)
Arkansas	3.6	(22.0)	(1.1)	(0.2)
Florida	N/A	10.0	5.5	5.2
Georgia	0.8	(8.2)	4.0	3.2
Kentucky	4.8	9.3	4.2	3.5
Louisiana	0.7	(201.1)	34.9	25.3
Mississippi	(1.8)	(7.5)	0.6	(1.0)
North Carolina	4.7	(24.9)	4.4	3.2
South Carolina	7.7	(36.1)	5.5	6.8
Tennessee	(94.1)	11.1	4.2	4.3
Virginia	3.9	5.1	1.1	3.4
West Virginia	(3.6)	(39.0)	(3.9)	(1.6)
Southwest	**(1.4)**	**(46.2)**	**(1.8)**	**0.5**
Arizona	4.6	(30.6)	3.7	2.8
New Mexico*	(3.5)	(12.9)	(7.2)	(6.8)
Oklahoma	(11.0)	(60.4)	(5.1)	(9.9)
Texas	N/A	N/A	(2.1)	1.8
Rocky Mountain	**4.9**	**(14.1)**	**4.3**	**3.2**
Colorado	4.0	(19.8)	3.5	2.3
Idaho	9.2	13.7	7.4	8.5
Montana	1.3	(3.7)	N/A	(4.3)
Utah	6.3	(21.6)	3.1	3.9
Wyoming	N/A	N/A	ND	ND
Far West	**6.1**	**(6.6)**	**1.9**	**5.1**
Alaska	N/A	(115.0)	N/A	152.6
California	6.5	2.8	0.7	4.2
Hawaii*	5.2	(102.1)	(5.7)	0.5
Nevada*	N/A	N/A	5.5	8.0
Oregon	2.6	(28.5)	N/A	1.6
Washington	N/A	N/A	7.5	8.0

Source: Individual state data, analysis by Rockefeller Institute.
Notes: * data for July-August only. N/A - not applicable; ND - no data.

Table 12. State Revenue Forecasts for Income and Sales Tax

State	Forecast Month	Personal Income Tax ($ millions) FY 2015 Actual	FY 2016 Actual	FY 2017 Forecast	FY 2018 Forecast	Sales Tax ($ millions) FY 2015 Actual	FY 2016 Actual	FY 2017 Forecast	FY 2018 Forecast
United States		**309,566**	**318,145**	**330,720**	**225,278**	**222,187**	**228,382**	**238,001**	**121,890**
Arizona	Jan-16	3,761	3,968	4,147	4,367	4,189	4,314	4,503	4,692
Arkansas	Feb-16	2,664	2,782	2,741		2,198	2,290	2,396	
California	May-16	76,264	79,448	83,393	86,700	23,855	25,269	25,727	26,200
Colorado	Sep-16	6,350	6,527	6,801	7,212	2,880	2,894	3,014	3,152
Connecticut	Apr-16	9,151	9,175	9,522	9,899	4,205	4,182	4,061	3,966
Delaware	Sep-16	1,252	1,287	1,332	1,390	N/A	N/A	N/A	N/A
Florida	Aug-16	N/A	N/A	N/A	N/A	21,063	21,998	22,988	24,136
Georgia	Jan-16	9,679	10,440	10,716		5,390	5,477	5,659	
Hawaii	Sep-16	1,988	2,116	2,226	2,349	2,993	3,206	3,392	3,545
Idaho	Jan-16	1,471	1,513	1,606		1,219	1,303	1,345	
Illinois	Mar-16	17,682	15,301	15,354		8,030	8,063	8,203	
Indiana	Dec-15	5,233	5,218	5,372		7,195	7,223	7,665	
Iowa	Oct-16	4,207	4,356	4,668	4,869	2,753	2,811	2,902	3,016
Kansas	Jul-16	2,278	2,249	2,377		2,485	2,659	2,755	
Kentucky	Dec-15	4,070	4,282	4,411	4,589	3,267	3,463	3,540	3,638
Maine	Mar-16	1,522	1,543	1,480	1,557	1,195	1,274	1,321	1,384
Maryland	Sep-16	8,346	8,518	8,964	9,370	4,351	4,444	4,575	4,725
Massachusetts	Dec-15	14,449	14,388	15,543		5,774	6,047	6,436	
Minnesota	Feb-16	10,403	10,717	11,146	11,815	5,131	5,233	5,485	5,792
Mississippi	Oct-15	1,743	1,769	1,903		2,261	2,300	2,415	
Missouri	Jan-16	6,891	7,158	7,566		2,014	2,103	2,137	
Montana	Sep-16	1,176	1,185	1,263	1,372	N/A	N/A	N/A	N/A
Nebraska	Oct-15	2,205	2,221	2,415	2,535	1,535	1,528	1,620	1,708
Nevada	May-15	N/A	N/A	N/A		1,000	1,043	1,114	
New Mexico	Aug-16	1,340	1,327	1,339	1,365	2,167	2,022	1,944	2,090
New York	Jul-16	43,709	47,055	48,864	51,155	15,385	15,725	16,125	16,858
North Carolina	Mar-16	11,079	11,905	11,719		6,252	6,560	6,918	
Ohio	Jul-16	8,507	7,799	8,260		9,960	10,348	10,808	
Oklahoma	Jun-16	2,161	2,049	1,887		2,224	2,063	2,100	
Oregon	Sep-16	7,330	7,753	7,961	8,495	N/A	N/A	N/A	N/A
Pennsylvania	Jun-16	12,107	12,506	13,014		9,493	9,795	10,188	
Rhode Island	May-16	1,228	1,217	1,257		964	972	1,015	
South Carolina	Feb-16	3,661	3,833	4,067		2,657	2,819	2,940	
South Dakota	Jul-16	N/A	N/A	N/A	N/A	837	861	999	943
Tennessee	Nov-15	303	324	341		7,706	8,228	8,576	
Texas	Oct-15	N/A	N/A	N/A	N/A	28,787	28,137	30,546	
Utah	Nov-15	3,158	3,370	3,467		1,715	1,779	1,852	
Vermont	Jul-16	706	747	776	804	365	371	383	394
Virginia	May-16	12,329	12,556	12,838	13,404	3,235	3,296	3,382	3,481
Washington	Sep-16	N/A	N/A	N/A	N/A	8,793	9,563	9,960	10,331
West Virginia	Jan-16	1,840	1,803	1,935	2,033	1,228	1,231	1,379	1,418
Wisconsin	Jan-16	7,326	7,741	8,050		4,892	5,059	5,218	
Wyoming	Oct-16	N/A	N/A	N/A	N/A	544	432	413	420

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: Data are missing for five states: Alabama, Louisiana, Michigan, New Jersey, and North Dakota. In addition, no data are reported for Alaska and New Hampshire as both states don't have either personal income or sales tax. Where available, we report FY 2018 data.

Table 13. Percentage Change in State Forecasts

State	Personal Income Tax			Sales Tax		
	2015 vs 2016	2016 vs 2017	2017 vs 2018	2015 vs 2016	2016 vs 2017	2017 vs 2018
US Median	**2.9**	**4.0**	**4.7**	**2.9**	**4.2**	**3.8**
Arizona	5.5	4.5	5.3	3.0	4.4	4.2
Arkansas	4.4	(1.5)		4.2	4.6	
California	4.2	5.0	4.0	5.9	1.8	1.8
Colorado	2.8	4.2	6.0	0.5	4.2	4.6
Connecticut	0.3	3.8	4.0	(0.5)	(2.9)	(2.3)
Delaware	2.8	3.6	4.3	N/A	N/A	N/A
Florida	N/A	N/A	N/A	4.4	4.5	5.0
Georgia	7.9	2.6		1.6	3.3	
Hawaii	6.5	5.2	5.5	7.1	5.8	4.5
Idaho	2.9	6.1		6.9	3.2	
Illinois	(13.5)	0.3		0.4	1.7	
Indiana	(0.3)	2.9		0.4	6.1	
Iowa	3.5	7.2	4.3	2.1	3.3	3.9
Kansas	(1.3)	5.7		7.0	3.6	
Kentucky	5.2	3.0	4.0	6.0	2.2	2.8
Maine	1.4	(4.1)	5.2	6.6	3.7	4.7
Maryland	2.1	5.2	4.5	2.2	2.9	3.3
Massachusetts	(0.4)	8.0		4.7	6.4	
Minnesota	3.0	4.0	6.0	2.0	4.8	5.6
Mississippi	1.5	7.6		1.8	5.0	
Missouri	3.9	5.7		4.4	1.6	
Montana	0.8	6.6	8.7	N/A	N/A	N/A
Nebraska	0.7	8.7	5.0	(0.5)	6.0	5.4
Nevada	N/A	N/A		4.3	6.8	
New Mexico	(0.9)	0.9	1.9	(6.7)	(3.9)	7.5
New York	7.7	3.8	4.7	2.2	2.5	4.5
North Carolina	7.5	(1.6)		4.9	5.5	
Ohio	(8.3)	5.9		3.9	4.4	
Oklahoma	(5.2)	(7.9)		(7.2)	1.8	
Oregon	5.8	2.7	6.7	N/A	N/A	N/A
Pennsylvania	3.3	4.1		3.2	4.0	
Rhode Island	(0.8)	3.3		0.9	4.4	
South Carolina	4.7	6.1		6.1	4.3	
South Dakota	N/A	N/A	N/A	2.9	16.0	(5.6)
Tennessee	6.8	5.3		6.8	4.2	
Texas	N/A	N/A		(2.3)	8.6	
Utah	6.7	2.9		3.7	4.2	
Vermont	5.8	3.9	3.5	1.7	3.4	2.8
Virginia	1.8	2.2	4.4	1.9	2.6	2.9
Washington	N/A	N/A	N/A	8.8	4.2	3.7
West Virginia	(2.0)	7.3	5.1	0.2	12.0	2.8
Wisconsin	5.7	4.0		3.4	3.1	
Wyoming	N/A	N/A	N/A	(20.6)	(4.4)	1.6

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: Data are missing for three states: Alabama, North Dakota, and Ohio. In addition, no data are reported for Alaska and New Hampshire as both states don't have either personal income or sales tax.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the U.S. Census Bureau in September of 2016. 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. In this section we explain how and why we have adjusted Census Bureau data, and the consequences of these adjustments.

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

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

The Rockefeller Institute also collects data on tax revenue, but in a different way and for different reasons. Because historical Census Bureau data are comprehensive and quite comparable, we rely almost exclusively on Census data for our historical analysis. Furthermore, in recent years Census Bureau data have become 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. 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 on state fiscal conditions more frequently, 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. As a result, the Census Bureau often reports imputed data. We make adjustments to the imputed data based upon data received directly from the states. We also make adjustments to any other questionable data for the current and previous quarters. The Census Bureau's own resources are strained and the Bureau does not necessarily have resources available to examine questionable data. The net impact of these adjustments can be quite substantial.

Endnotes

1 See Lucy Dadayan and Donald J. Boyd, "Double, Double, Oil and Trouble," *By The Numbers Brief,* The Nelson A. Rockefeller Institute of Government, February 2016.

2 The 6.7 percent is based on the calendar year average and is adjusted for dividends and splits. For more information, see the S&P 500 database available through Yahoo Finance, https://finance.yahoo.com/quote/%5EGSPC/history?p=%5EGSPC.

3 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: The Nelson A. Rockefeller Institute of Government, July 2012).

4 Rockefeller Institute analysis of data from Table A-1, *The Fiscal Survey of States: Fall 2015* (Washington, DC: National Association of State Budget Officers, December 15, 2015), pp. 85-91.

5 See Claire Montialoux and Jesse Rothstein, "The New California Earned Income Tax Credit," *Policy Brief*, Institute for Research on Labor and Employment, December 2015, for a description of the credit as enacted. It appears to be virtually identical to the proposed credit, which the Legislative Analyst's Office estimated to cost $380 million. See "May Revision: Earned Income Tax Credit Proposal," California Legislative Analyst's Office, May 17, 2015.

6 In fifteen states, forecast dates are between May 2015 and January 2016, indicating that their forecasts for fiscal 2017 likely did not take into consideration the profound weakness of the stock market in early 2016. In seven states, forecast dates are between February 2016 and April 2016. The forecasts in these states likely took into consideration the weakness in the stock market. In five states, forecast dates are between May 2016 and June 2016. The forecasts in these states likely took the negative surprises in income tax collections in April of 2016 caused by the weak stock market. Finally, in sixteen states forecast dates are between July 2016 and October 2016 and quite likely the 2017 forecasts incorporated the impact of the stock market on income tax collections and oil and gas price drop on sales tax collections.

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 (SUNY), was established in 1982 to bring the resources of the sixty-four-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all fifty states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior policy analyst, and Donald J. Boyd, director of fiscal studies. Thomas Gais, director of the Institute and Patricia Strach, deputy director for research, provided valuable feedback on the report. Michael Cooper, the Rockefeller Institute's director of publications, did the editing, layout, and design of this report.

You can contact Lucy Dadayan at lucy.dadayan@rockinst.suny.edu or ldadayan@albany.edu.