STATE REVENUE REPORT

Fourth Quarter, 2017

Robust State and Local Revenue Growth in the Fourth Quarter of 2017; Federal Tax Cuts Cloud Horizon

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Contents

Summary

State and local government tax revenues showed robust growth in the fourth quarter of calendar year 2017, but varied significantly by source. Most of the growth was attributable to state personal income and local property tax revenues, which were boosted by accelerated prepayments in December 2017, as discussed in our previous *State Revenue Report*.[1] The Tax Cuts and Jobs Act (TCJA), enacted in late December 2017, created strong incentives for some high-income taxpayers to act fast and prepay their state and local income and property taxes to take advantage of the expiring tax breaks, namely the state and local tax (SALT) deduction, which is capped at $10,000 per year as of January 1, 2018.

State and local tax revenues will likely continue to fluctuate in the coming quarters as various entities, including states, high-income taxpayers, pass-through entities, corporations, and tax professionals are examining the new rules of the game, exploring loopholes, and looking into ways to minimize tax liability in light of the new provisions of the TCJA.

Although growth varied by source, all major sources of state government tax revenues increased in the fourth quarter of 2017. Personal income tax (PIT) revenues showed double-digit growth. Sales tax revenues increased more than in the three previous quarters of 2017, but trailed behind the growth in other major tax revenue sources. Local government property taxes showed the strongest growth in the last nine years.

Specific findings include the following:

TOTAL STATE GOVERNMENT
TAX REVENUE
from all sources
INCREASED 9.4%
in the fourth quarter of 2017

The rate exceeded the average quarterly growth rate of 2.7 percent for the previous four quarters, driven mostly by higher personal income tax revenues, which increased 15.1 percent compared to an average quarterly rate of 3.2 percent for the previous four quarters. Growth in sales tax collections in the fourth quarter was 4.8 percent, which was stronger than its average quarterly rate of 2.4 percent for the previous four quarters.

LOCAL GOVERNMENT
TAX REVENUE
from major sources
INCREASED 8.9%
in the fourth quarter of 2017

This is substantially higher than the 3.5 percent average growth in the prior four quarters. The robust growth in local government tax revenues was mostly attributable to the strong growth in local property tax revenues (9.2 percent), which is the largest single source of local government revenues. The increase was boosted by taxpayer responses to the TCJA, as many accelerated property tax prepayments.

STATE & LOCAL GOVERNMENT
TAX REVENUE
from major taxes
INCREASED 9.4%
in the fourth quarter of 2017

Using the latest data available, state and local government revenue from major taxes increased 9.4 percent in the fourth quarter of 2017 compared to a year earlier, which is stronger than the 3.0 percent average growth for the four previous quarters (see Table 1).

PRELIMINARY DATA FOR JAN. & FEB. 2018
combined indicate
DOUBLE DIGIT GROWTH
in personal incomes taxes and
SINGLE-DIGIT GROWTH
in sales tax collections

Preliminary state government tax data for the months of January and February combined indicate double-digit growth in personal income taxes and single-digit growth in sales tax collections. Income tax revenues were strong in January, but much weaker in February. Strong revenues collections in the month of January are likely driven by delayed refund processing as well as accelerated prepayments of estimated income tax payments, which were received in early January but postmarked in December.

TABLE 1. **State and Local Government Tax Revenue Growth Year-Over-Year Change**
(Dollar amounts in millions)

	2016 Q4 ($ millions)	2017 Q4 ($ millions)	$ change	% change	Prior 4 quarters[2]
State and Local Government					
Total, major taxes[1]	$401,696	$439,451	$37,755	9.4%	3.0%
State Government					
Total state taxes	$220,112	$240,762	$20,650	9.4%	2.7%
Total major taxes	$167,782	$184,634	$16,852	10.0%	2.4%
Sales tax	73,375	76,885	3,509	4.8%	2.4%
Personal income tax	81,157	93,387	12,230	15.1%	3.2%
Corporate income tax	8,702	9,794	1,092	12.5%	-3.6%
Property tax	4,548	4,569	21	0.5%	0.8%
Total, other state taxes	$52,330	$56,128	$3,798	7.3%	3.9%
Local Government					
Total major taxes	$233,914	$254,817	$20,903	8.9%	3.5%
Sales tax	20,048	21,597	1,549	7.7%	2.0%
Personal income tax	8,515	9,076	561	6.6%	0.4%
Corporate income tax	1,956	1,946	(10)	-0.5%	2.6%
Property tax	203,395	222,198	18,803	9.2%	4.0%

SOURCE: U.S. Census Bureau (tax revenue), with Rockefeller Institute of Government adjustments.

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 change.

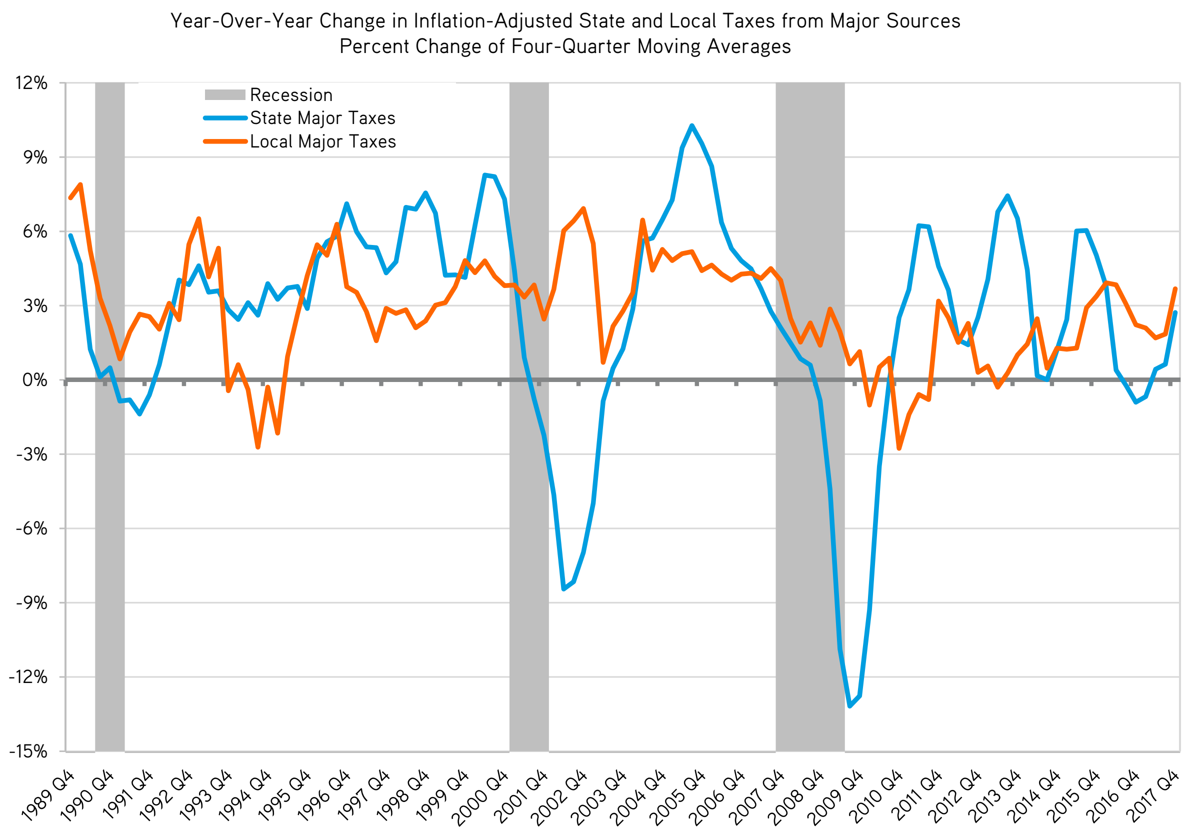
Trends in State and Local Tax Revenues

State and local tax revenues fluctuated wildly over the last four years, despite the long and fairly steady economic recovery since the last recession.

Figure 1 shows changes in major state and local tax revenues since 1990. The graph displays year-over-year percentage changes in the four-quarter moving average of inflation-adjusted state and local tax revenues from major sources — personal income, corporate income, sales, and property taxes.

Note that this report often expresses quarterly changes as year-over-year percentages in the four-quarter moving average of tax revenues to smooth seasonal fluctuations in the quarterly data. Sometimes, especially when examining long-run trends as in Figure 1, we use inflation-adjusted data. At other times, such as when we examine short-run quarterly changes, we use nominal data. The text, figures, and tables indicate the data adjustments used.

Figure 1. Strong Growth in Major State and Local Tax Revenues



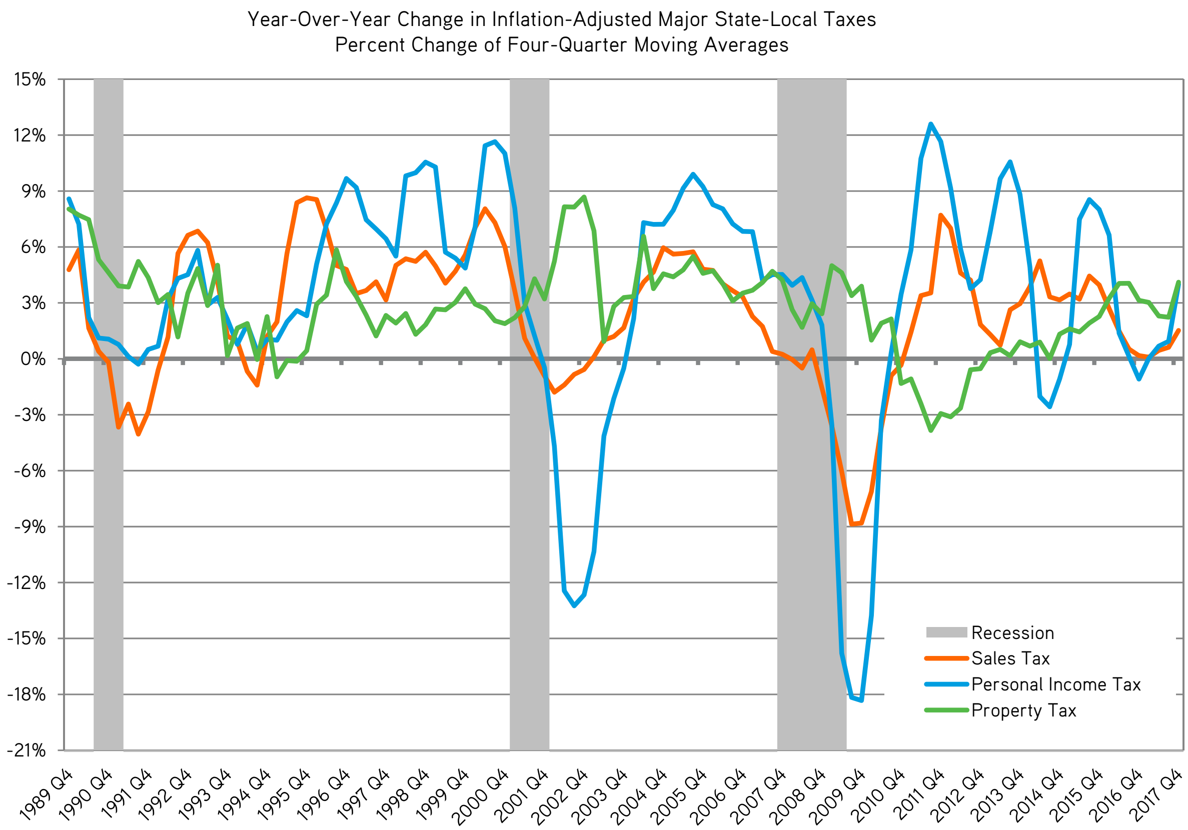
SOURCE: Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).

NOTE: (1) Percentage change of four-quarter moving averages. (2) Data are for four major tax categories only: general sales tax, personal income tax, corporate income tax, and property tax. (3) Data are adjusted for inflation.

In previous *State Revenue Reports*, we suggested that recent fluctuations in state taxes were driven in part by volatility in the stock market and the federal fiscal cliff of 2013.[2] Major state taxes, adjusted for inflation, grew just 2.7 percent in the fourth quarter of

2017 (again, using the four-quarter moving average, compared to the same average in the fourth quarter of 2016). Major local taxes grew 3.7 percent in the fourth quarter of 2017, using the same year-over-year measure of change in inflation-adjusted revenues.

Figure 2. Substantial Growth in State-Local Income and Property Tax Revenues



SOURCE: Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).

NOTE: (1) Percentage change of four-quarter moving averages. (2) Data are adjusted for inflation.

Figure 2 shows the year-over-year percent change in the moving four-quarter average of inflation-adjusted state and local income, sales, and property taxes. By this measure, state-local personal income and property tax revenues improved substantially in the last quarter of 2017 compared to the previous quarters of 2017. The growth in state-local personal income tax revenues was 4.0 percent in the fourth quarter of 2017, compared to the 0.9 percent growth in the third quarter of 2017. State-local property taxes, nearly all of which are collected by local governments, grew by 4.1 percent in the fourth quarter of 2017, also stronger compared to the 2.2 percent growth in the third quarter of 2017. The substantial improvement in both personal income and property tax revenues were mostly attributable to taxpayer behavior and the rush to prepay taxes for tax year 2017. State-local sales tax revenues grew by 1.5 percent in the fourth quarter of 2017.

State Tax Revenue

Total state government tax revenue grew 9.4 percent in the fourth quarter of 2017 relative to a year ago in nominal terms, according to Census Bureau data as adjusted by the Rockefeller Institute.[3] Growth in state personal income tax collections was particularly strong at 15.1 percent, while sales tax revenues increased only by 4.8 percent. Motor fuel tax collections grew by 8.1 percent. After seven consecutive quarterly declines, state corporate income tax (CIT) revenues grew for the third consecutive quarter at 12.5 percent. Table 3 shows changes in state tax revenues with and without adjustments for inflation, and Table 4 shows growth by major taxes in nominal terms.

Three states saw declines in total state tax collections in the fourth quarter of 2017 compared to the third quarter of 2016. Despite the strong growth in overall tax collections, states continue to face large fiscal uncertainties, particularly in light of the passage of the TCJA.

Total state tax revenues grew in all regions in the fourth quarter of 2017 (see Table 5). The Rocky Mountain region had the strongest growth at 13.2 percent, while the Great Lakes region reported the weakest growth at 5.2 percent.

Among individual states, tax revenues saw double-digit growth in eighteen states. The double-digit total tax revenue growth was mostly observed in two groups of states: states that have high reliance on personal income tax collections and states that have high reliance on severance taxes.

As mentioned above, personal income tax revenues were artificially boosted due to taxpayer behavior, leading to an income tax revenue windfall in the fourth quarter of 2017. Therefore, states that have high reliance on personal income tax collections have seen a boost in overall states tax revenues.

Oil and mineral dependent states rely heavily on severance taxes for state revenues.[4] Steep oil price declines throughout 2015 and early 2016 led to declines in severance tax collections and depressed economic activity, leading to weakness in other taxes. Severance tax revenues were largely depressed in the previous two years. Oil markets have been slowly stabilizing in the past few months, leading to rebounding and a strong growth in severance taxes in the fourth quarter of 2017. In six states — Alaska, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming — severance taxes grew by 35 percent or more in the final quarter of 2017. Consequently, most of the oil and mineral dependent states saw double-digit growth in overall state tax revenues in the final quarter of 2017.

Personal income tax collections saw double-digit growth across all regions but the Southeast. The Mid-Atlantic region saw the largest growth at 19.7 percent, while the Southeast region reported the weakest growth at 6.1 percent.

Personal Income Tax

State personal income tax revenues grew 15.1 percent in nominal terms and 13.0 percent in inflation-adjusted terms in the fourth quarter of 2017 compared to the same quarter in 2016. The TCJA created strong incentives for some high-income taxpayers to act fast and prepay their state personal income taxes to take advantage of the expiring tax breaks. The accelerated estimated income tax payments will not change taxpayers' income tax liability for tax year 2017. The early tax filing strategy would likely lead to larger refunds during the April tax filing season. Revenue forecasters in states are anxiously waiting for April income tax results.

Personal income tax collections saw double-digit growth across all regions, but the Southeast. The Mid-Atlantic region saw the largest growth at 19.7 percent, while the Southeast region reported the weakest growth at 6.1 percent.

All states with broad-based income tax reported growth in personal income tax collections, with twenty-two states reporting double-digit growth. Personal income tax revenues saw a particularly strong growth in Illinois and Kansas, at 33.2 and 32.8 percent, respectively. The strong growth in both states were mostly attributable to the increase in the income tax rates. In Illinois, the income tax rate was increased

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

PIT Component	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Comments
Withholding	4.6%	2.6%	3.7%	3.0%	6.1%	6.4%	5.2%	7.4%	Largest PIT component; generally reflects current economy.
Estimated Payments	3.1%	-7.4%	-3.6%	-1.5%	1.0%	-1.8%	1.8%	52.7%	Second quarter payments usually heavily influenced by the previous year stock market.
Final Returns	4.2%	-5.4%	-1.0%	-0.3%	-1.3%	-5.1%	1.8%	15.4%	Second quarter is usually the largest collections quarter.
Refunds	9.0%	7.7%	5.1%	25.2%	-2.9%	9.4%	6.6%	-7.1%	A positive number means that refunds increased; negative means refunds decreased.
PIT Total	**2.6%**	**-3.4%**	**2.3%**	**0.5%**	**7.9%**	**0.4%**	**4.5%**	**16.2%**	

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

NOTES: The percent changes for total PIT differ from data reported by the U.S. Census Bureau.

from 3.75 percent to 4.95 percent effective July 1, 2017.[5] In Kansas, the legislature increased income tax rates, as well as created a higher income tax bracket for tax year 2017 retroactively and for subsequent years.[6] The income tax rate increases in Kansas come five years after the state had made the headlines of newspapers across the nation due to its sweeping income tax rate cuts under the promises of stimulating economic growth.

A clearer picture emerges of collections from the personal income tax by breaking this source down into four 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 directly from the states (Table 2).

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is less volatile than estimated payments or final settlements. Table 6 shows state-by-state, year-over-year quarterly growth in withholding for the last eight quarters. The growth in withholding in the final quarter of 2017 was 7.4 percent, which was the strongest growth since the last quarter of 2012 when withholding grew by 7.8 percent. The strength in withholding, however, should be viewed cautiously as it was partially driven by large year-end bonuses in response to the TCJA.

Average quarterly growth in withholding was 6.3 percent in calendar year 2017, substantially stronger compared to the average growth rate of 3.5 percent in calendar 2016. Growth in withholding was also widespread across the states. Forty states reported increases in withholding for the fourth quarter of 2017, with eight states reporting double-digit growth. However, in twenty-eight states growth in withholding was below the national average of 7.4 percent in the fourth quarter of 2017. Illinois saw the largest increase, mostly attributable to the income tax rate increase, as mentioned above. All regions showed growth; the Great Lakes states reported the largest increase at 13.7 percent, while states in the Southeast saw the weakest growth at 3.0 percent.

Estimated Payments

Many high-income taxpayers make estimated tax payments (also known as declarations) on 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; they can, however, exert a large impact on the direction of overall collections. Estimated payments accounted for 20 percent of total personal income tax revenues in the fourth quarter of 2017, which is substantially higher by historic standards. In the past ten years, estimated payments as a share of total personal income taxes for the fourth quarter represented 15 percent or less of total personal income taxes.

The first payment for each tax year is due in April in most states; the second, third, and fourth payments are generally due in June, September, and January (although many high-income taxpayers submit their last state income tax payment in December in order to deduct it on their federal tax return for that year). The first payment is difficult to interpret, as it can include a mix of payments related to both the current and previous tax years. The second and third payments are easier to interpret because they are more clearly related to the current tax year. However, payments can be "noisy" in that they reflect taxpayers' responses to tax payment rules as well as expectations regarding future nonwage income.

In the thirty-eight states for which we have complete data, the median third payment (usually paid in the months of September, October, and November) grew 1.2 percent (mostly attributable to the 2017 tax year). We have also collected estimated payment data for the fourth payment, which shows a large hike compared to last year. Median growth in estimated payments for the fourth payment for tax year 2017 (usually due in the months of December and January) was 39.1 percent, compared to the same period last year. That increase contrasts sharply with the 1.8 percent decline in median payments in the fourth payment for tax year 2016 (see Table 7). States varied substantially regarding growth rates in estimated payments in the months of December and January. Growth rates in estimated payments for the fourth payment were double digit in all states but Connecticut and Kansas, where estimated payments grew by triple digits.

Separate data for the month of December alone indicate estimated payments increased by 69 percent compared to December 2016. Growth of 69 percent is striking and there are several potential reasons for such an increase in December. First, according to early analysis from a number of states, after the passage of the TCJA, some high-income taxpayers rushed to prepay estimated tax payments to take advantage of 2017's unlimited SALT deduction, which is capped at $10,000 under the TCJA in 2018. Moreover, the TCJA lowered federal tax rates for 2018, which makes the value of deductions smaller. It is likely that a portion of estimated payments was borrowed from future months. In the month of January

Some states indicated that another contributing factor for strong growth in estimated payments is possibly due to changes in taxpayer behavior tied to the federal Emergency Economic Stabilization Act of 2008, under which hedge fund managers had until December 31, 2017, to repatriate accumulated offshore gains.

2018, estimated payments grew 34 percent compared to January 2017. Preliminary reports from the states indicate that many of the estimated payments were received early in January but were postmarked in December, for check payments. Therefore, the strong growth in income tax collections in January are still likely driven by the taxpayer behavior in response to the TCJA.

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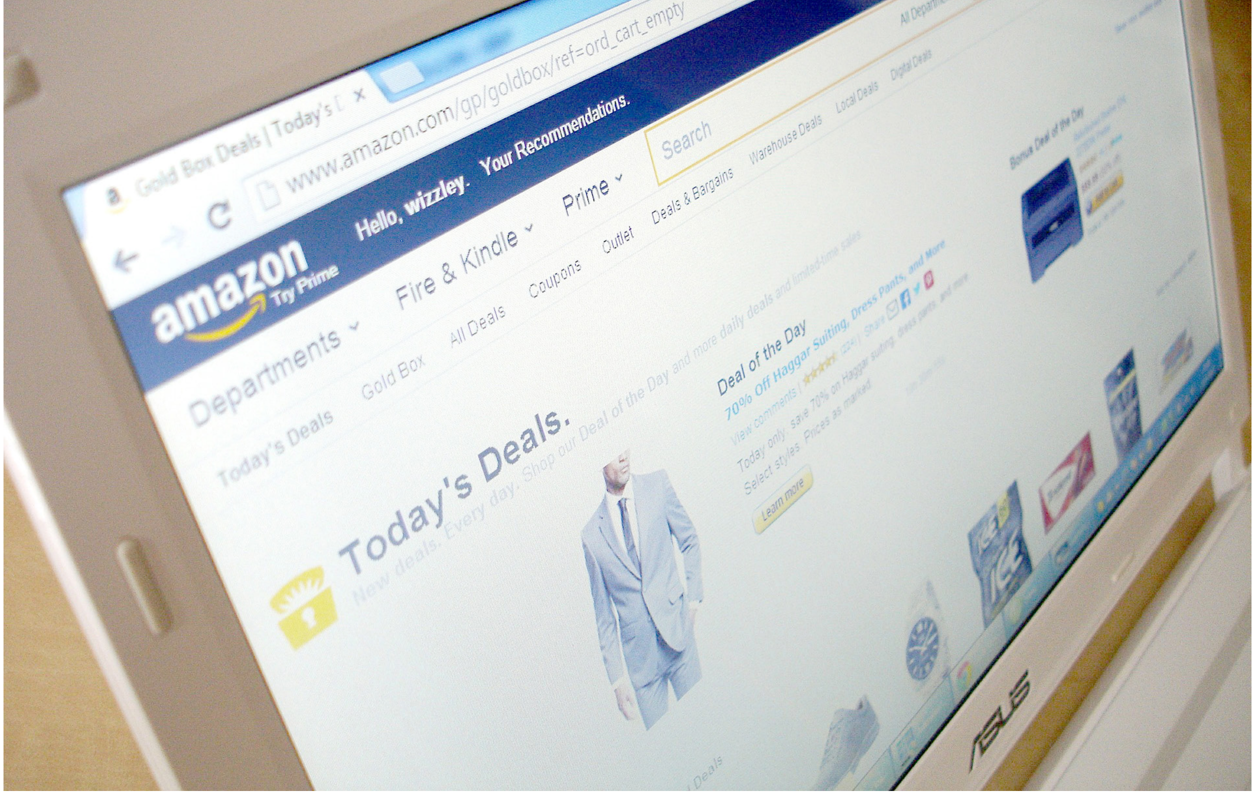
Finally, the stock market was strong throughout 2017, which is likely another contributing factor for substantial growth in estimated payments in December of 2017. The calendar year average growth for the stock market was 16.8 percent in 2017 and the year-end to year-end growth was 19.4 percent, as measured by the S&P 500 index.[8] All else equal, this would suggest relatively strong capital gains in 2017, which in turn could have led taxpayers to increase their estimated payments during December.

Final Payments

Final tax payments normally represent a small 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 because of the April 15th income tax return deadline. Final payments accounted for 23 percent of all personal income tax revenues in the second quarter of 2017, but only 3 percent in the third quarter and 5 percent in the fourth quarter.

Total final payments resumed growth in the third quarter of 2017 after five consecutive quarterly declines, and showed double-digit growth in the final quarter of 2017, again likely attributable to the passage of the TCJA as discussed above. Table 8 shows state-level data for final payments. The median state reported consecutive declines



in year-over-year quarterly growth in final payments for the first, second, and third quarters of 2017 — declines of 2.2 percent in the first quarter of 2017, 4.0 percent in the second quarter, and 2.9 percent in the third. Preliminary data indicate that final payments grew 7.1 percent in the median state.

Refunds

Personal income tax refunds grew 9.4 and 6.6 percent, respectively, in the second and third quarters of 2017 compared to the same quarters in 2016, but declined 7.1 percent in the final quarter of 2017. States paid out about $0.5 billion less in refunds in the fourth quarter of 2017. As mentioned above, we expect refunds will increase significantly during the April tax filing season.

Preliminary data indicate that twenty-two states paid out more refunds and sixteen states paid out less refunds in the fourth quarter of 2017 compared to the same quarter of 2016. Massachusetts and New York alone paid out $476 million and $357 million, respectively, less refunds in the fourth quarter of 2017.

Sales Tax

General state sales tax collections grew 4.8 percent in the fourth quarter of 2017 from the same period in 2016. Inflation-adjusted figures indicate that sales tax collections grew 2.9 percent in the fourth quarter of 2017 and were 6.6 percent above the recessionary peak reported in the fourth quarter of 2007.

Sales tax collections have grown continuously since the first quarter of 2010, averaging 3.9 percent in quarterly growth in nominal terms. The growth slowed in calendar year 2016 and the first three quarters of 2017. Average quarterly growth for the past eight quarters was 2.5 percent.

Sales tax collections increased in all regions but the Great Lakes, where collections declined 0.9 percent. The Southwest and Rocky Mountain regions reported the strongest growth at 11.0 and 10.5 percent, respectively. Forty-two states reported increases in sales tax collections in the fourth quarter of 2017, with five states reporting double-digit growth.

Growth in sales tax collections has been very weak by historic norms. Since 2008, the average annual growth rate in sales tax collections was 2.4 percent, in nominal terms. By comparison, average annual growth rate was nearly double, at 5.3 percent, between 1991 and 2007. The weak annual growth rates in sales tax collections is at least partially attributable to tax dollars lost in online retail sales.

The online sales tax loophole has been an ongoing debate in the states. Internet sales grew substantially in the last decade and eroded the sales tax base. In the absence of a congressional measure, most states adopted individual measures such as enactment of nexus or "Amazon" laws to address the issue.

States are awaiting the Supreme Court's decision in the *South Dakota v. Wayfair* case,[9] which will address the issue of state authority to collect sales tax for purchases made over the internet. The Supreme Court's decision could enforce online retailers to collect sales taxes and transfer them to state governments. According to a recent study by the U.S. Government Accountability Office, state and local governments could potentially gain between $8 billion to about $13 billion per year if the states are given the authority to impose sales tax collection from all remote sellers.[10] While this can be good news for state governments, online retail stores will continue having a negative impact on local "bricks and mortar" retailers.

Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits and 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.

After six consecutive quarterly declines, corporate income tax revenue grew for the third consecutive quarter. Growth in the fourth quarter of 2017 was 12.5 percent compared to a year earlier. However, large disparities exist among states and regions. Corporate income tax collections declined in the Southwest and Mid-Atlantic regions at 66.3 and 7.1 percent, respectively. Other regions reported growth, with the Far West states reporting the largest growth at 39.9 percent and the Southeast region reporting the weakest growth at 5.9 percent. Overall, corporate income tax collections declined in sixteen states.

According to a recent study by the U.S. Government Accountability Office, state and local governments could potentially gain between $8 billion to about $13 billion per year if the states are given the authority to impose sales tax collection from all remote sellers.

State corporate income tax revenues are expected to fluctuate significantly in the coming months as a result of the passage of TCJA, which reduced the federal corporate income tax rate from 35 percent to 21 percent. The tax rate cut will likely lead to increased corporate income tax collections in the states where tax codes conform to federal tax law. However, the composition of state economies and other factors would be at play as well. In addition, the TCJA has eliminated the minimum corporate income tax. Therefore, states are anticipating that some pass-through businesses would find it beneficial to restructure as a C-corporation and take advantage of lower corporate income tax rates. It will take a long time until states can sort out the behavioral responses of business entities to TCJA provisions.

Motor Fuel Sales Tax

Motor fuel sales tax (MFT) collections in the fourth quarter of 2017 increased by 8.1 percent from the same period in 2016. Motor fuel sales tax collections have fluctuated 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. In fiscal year 2018, a number of state had increased the motor fuel sales tax rates. Most noticeable increases were in California and Indiana, where the tax rate increases are expected to generate $2.1 and $0.3 billion additional revenues, respectively, in fiscal year 2018.[11]

There was wide variation across the states and the regions in terms of growth rates. Motor fuel sales tax collections fell in the Plains region by 1.2 percent and grew elsewhere. The largest growth was in the Great Lakes and Far West regions, where collections grew by 16.7 and 16.4 percent, respectively. Ten states reported declines in motor fuel sales tax collections in the fourth quarter of 2017, while fourteen states reported double-digit growth.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes. In Table 9, we show growth rates for these taxes as year-over-year changes in the four-quarter average of inflation-adjusted revenue for the nation as a whole. In the fourth quarter of 2017, states collected $48.5 billion from smaller tax sources, which comprised 20.1 percent of total state tax collections.

Revenues from smaller tax sources varied in the fourth quarter of 2017. Inflation-adjusted state property taxes, which represent a small portion of overall state tax revenues, declined by 0.9 percent. Declines were also observed in motor vehicle and operators' licenses at 0.3 percent. Tobacco tax revenues grew by a strong 6.5 percent in the fourth quarter of 2017, largely attributable to tax rate increases in several states. Tax revenues from alcoholic beverage sales and from all other smaller tax sources grew at 1.8 and 4.0 percent, respectively.

Preliminary Data for January and February of 2018

Preliminary state government tax data for the months of January and February combined indicate double-digit growth in personal income taxes at 20 percent and single-digit growth in sales tax collections at 4.5 percent. Income tax revenues were particularly strong in the month of January at 27 percent, but were much weaker in the month of February at 5.1 percent. While revenue collections for a single month should be interpreted with caution, we believe the strength in January is at least partially attributable to two factors. First, the overage in income tax is a timing matter because of the delayed refund processing: the Internal Revenue Service began accepting tax returns on January 29, 2018, while the tax season in 2017 was opened on January 23, 2017, six days earlier. Therefore, the processing of tax refunds were delayed. Second, preliminary reports from the states indicate that many of the estimated payments were received early in January but were postmarked in December for check payments. The Rockefeller Institute has closely monitored estimated and final payments for income taxes, and these data show strong growth in both types of payments for January 2018. Therefore, the strong growth in income tax collections in January are still partially driven by the taxpayer behavior in response to the federal tax reform.

Conclusion

Although state government tax revenues increased substantially in the fourth quarter of 2017, growth was mixed across different revenue sources. Sales taxes increased consistently, but lagged behind growth rates in previous economic expansions. Personal income taxes showed double-digit growth in the fourth quarter, mostly attributable to the income shifting by high-income taxpayers in light of the federal tax reform. Growth in corporate income taxes was also strong in the fourth quarter, but there was much variation across the states.

Local government tax revenues also increased significantly in the fourth quarter of 2017. However, the growth was varied across different taxes, and was mostly driven by a strong quarterly growth in the property taxes, which represent the largest single source of local government revenues. Local government property taxes were mostly boosted due to taxpayer behavior in response to TCJA and accelerated property tax prepayments.

Taken together, state and local combined tax revenues from major sources grew 9.4 percent in the fourth quarter of 2017. That growth was stronger than the 3.0 percent average growth for the four previous quarters.

Early data for the months of January and February 2018 indicate continued robust growth in state tax revenue collections, particularly for personal income tax collections. Income tax revenues were particularly strong in the month of January, but were much weaker in the month of February.

State tax revenues remain highly uncertain for the final months of the fiscal year 2018 and for all three major sources of tax revenues. Personal income tax revenues are likely to weaken significantly due to windfall revenues in the months of December and January and, therefore, anticipated large refunds this April, as discussed above. Corporate income tax revenues are likely to grow substantially because of the federal tax rate reduction under the TCJA, which is permanent. In addition, TCJA eliminated the minimum corporate income tax, which may create incentives for businesses to restructure as a C-corporation and to take advantage of lower corporate income tax rates. Finally, the fate of the pending *South Dakota v. Wayfair* case at the Supreme Court could have a substantial impact on state sales tax collections. The Supreme Court's decision could enforce online retailers to collect sales taxes and transfer them to state governments, which will likely boost state sales tax revenue collections.

In summary, the behavioral responses to the TCJA and the pending Supreme Court case related to online sales taxation leave states with higher-than-usual fiscal uncertainties for the remainder of the fiscal year 2018, as well as for the forthcoming fiscal year 2019.

Taken together, state and local combined tax revenues from major sources grew 9.4 percent in the fourth quarter of 2017. That growth was stronger than the 3.0 percent average growth for the four previous quarters.

TABLE 3. **Quarterly State Tax Revenue**

Quarter	Nominal Change	Inflation Rate	Real Change
	Year-Over-Year Percent Change		
2017 Q4	9.4	1.9	7.4
2017 Q3	4.0	1.8	2.2
2017 Q2	2.5	1.6	0.9
2017 Q1	3.1	2.0	1.1
2016 Q4	1.3	1.5	(0.2)
2016 Q3	1.4	1.2	0.2
2016 Q2	(1.8)	1.2	(3.0)
2016 Q1	1.5	1.2	0.4
2015 Q4	2.4	1.0	1.3
2015 Q3	4.1	1.0	3.1
2015 Q2	7.2	1.1	6.0
2015 Q1	5.6	1.1	4.4
2014 Q4	6.2	1.6	4.6
2014 Q3	4.6	1.9	2.6
2014 Q2	(0.7)	2.0	(2.6)
2014 Q1	0.8	1.7	(0.9)
2013 Q4	2.8	1.6	1.2
2013 Q3	5.9	1.5	4.4
2013 Q2	10.1	1.6	8.4
2013 Q1	9.3	1.8	7.4
2012 Q4	5.8	1.9	3.8
2012 Q3	3.2	1.7	1.5
2012 Q2	3.6	1.7	1.8
2012 Q1	4.0	2.0	2.0
2011 Q4	3.1	1.9	1.1
2011 Q3	5.2	2.3	2.9
2011 Q2	11.1	2.2	8.8
2011 Q1	10.2	1.9	8.1
2010 Q4	8.5	1.8	6.7
2010 Q3	5.7	1.6	4.1
2010 Q2	2.4	1.1	1.3
2010 Q1	3.2	0.5	2.7
2009 Q4	(3.3)	0.4	(3.6)
2009 Q3	(10.9)	0.3	(11.2)
2009 Q2	(16.3)	1.0	(17.1)
2009 Q1	(12.0)	1.6	(13.3)
2008 Q4	(4.0)	1.9	(5.8)
2008 Q3	2.3	2.1	0.1
2008 Q2	3.9	1.8	2.1
2008 Q1	2.6	1.9	0.6
2007 Q4	3.4	2.5	1.0
2007 Q3	2.9	2.4	0.5
2007 Q2	6.5	2.8	3.6
2007 Q1	5.1	3.0	2.0
2006 Q4	4.3	2.7	1.5
2006 Q3	5.6	3.1	2.4
2006 Q2	10.1	3.3	6.6
2006 Q1	7.2	3.2	3.9
2005 Q4	6.9	3.4	3.4
2005 Q3	10.4	3.3	6.9
2005 Q2	15.5	3.0	12.1
2005 Q1	9.9	3.2	6.5

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

TABLE 4. **Quarterly State Tax Revenue By Major Tax**

Quarter	PIT	CIT	General Sales	Motor Fuel	Total
	Year-Over-Year Percent Change				
2017 Q4	15.1	12.5	4.8	8.1	9.4
2017 Q3	4.3	4.0	2.9	4.1	4.0
2017 Q2	(0.1)	13.6	3.0	(3.0)	2.5
2017 Q1	8.2	(28.5)	2.1	0.9	3.1
2016 Q4	0.3	(3.4)	1.6	1.2	1.3
2016 Q3	2.6	(7.5)	2.8	1.2	1.4
2016 Q2	(2.6)	(10.0)	0.4	1.4	(1.8)
2016 Q1	1.7	(5.3)	2.0	2.9	1.5
2015 Q4	5.2	(9.2)	2.5	3.5	2.4
2015 Q3	6.4	0.1	3.8	4.8	4.1
2015 Q2	13.9	5.9	4.2	3.1	7.2
2015 Q1	7.1	3.4	6.1	4.3	5.6
2014 Q4	8.5	9.8	7.6	2.4	6.2
2014 Q3	4.2	7.3	7.1	0.6	4.6
2014 Q2	(6.5)	(1.2)	5.1	4.0	(0.7)
2014 Q1	(0.9)	8.1	4.0	2.8	0.8
2013 Q4	0.7	3.1	4.7	3.5	2.8
2013 Q3	5.6	1.9	7.0	2.9	5.9
2013 Q2	18.5	11.6	5.2	2.1	10.1
2013 Q1	18.0	9.3	3.9	(1.4)	9.3
2012 Q4	10.7	3.4	3.4	1.3	5.8
2012 Q3	4.4	9.5	1.8	2.1	3.2
2012 Q2	5.8	(2.3)	2.3	1.7	3.6
2012 Q1	4.5	3.6	4.9	1.0	4.0
2011 Q4	3.3	(7.1)	3.0	0.7	3.1
2011 Q3	9.4	2.0	1.6	(0.2)	5.2
2011 Q2	15.2	18.4	5.8	7.4	11.1
2011 Q1	12.3	4.3	6.3	13.3	10.2
2010 Q4	10.5	20.4	5.4	11.8	8.5
2010 Q3	4.4	0.1	4.5	10.7	5.7
2010 Q2	2.1	(18.8)	4.5	4.1	2.4
2010 Q1	3.3	(0.1)	0.3	(0.1)	3.2
2009 Q4	(4.1)	(2.5)	(4.7)	(1.5)	(3.3)
2009 Q3	(11.3)	(21.7)	(9.7)	2.3	(10.9)
2009 Q2	(27.3)	1.4	(8.7)	(1.5)	(16.3)
2009 Q1	(18.2)	(19.6)	(8.2)	(3.6)	(12.0)
2008 Q4	(1.4)	(20.3)	(5.4)	(5.0)	(4.0)
2008 Q3	1.3	(12.4)	3.3	(5.0)	2.3
2008 Q2	7.3	(7.1)	3.6	(3.1)	3.9
2008 Q1	5.1	(1.7)	0.5	1.1	2.6
2007 Q4	3.1	(14.5)	4.1	1.8	3.4
2007 Q3	5.6	(5.3)	0.5	1.9	2.9
2007 Q2	9.3	2.1	7.1	0.2	6.5
2007 Q1	8.4	14.6	3.2	0.1	5.1
2006 Q4	4.7	10.0	5.1	6.4	4.3
2006 Q3	6.0	16.0	6.7	0.7	5.6
2006 Q2	18.8	0.9	4.9	5.3	10.1
2006 Q1	9.4	9.5	7.1	3.5	7.2
2005 Q4	6.0	32.1	6.9	(0.5)	6.9
2005 Q3	12.7	26.6	9.3	11.4	10.4
2005 Q2	20.1	64.1	10.4	5.3	15.5
2005 Q1	13.6	30.1	8.0	6.3	9.9

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

TABLE 5. **Percent Change in Quarterly State Tax Revenue**

	October-December, 2016-17, Percent Change				
	PIT	CIT	Sales	MFT	Total
United States	15.1	12.5	4.8	8.1	9.4
New England	**18.6**	**12.5**	**5.8**	**3.3**	**12.4**
Connecticut	21.3	13.1	5.5	1.3	16.0
Maine	7.9	(33.9)	5.6	1.5	4.2
Massachusetts	19.3	17.8	6.0	0.4	13.0
New Hampshire	NM	21.3	N/A	24.5	7.4
Rhode Island	11.5	(19.3)	6.4	6.7	10.0
Vermont	10.4	(25.2)	4.5	6.5	3.8
Mid-Atlantic	**19.7**	**(7.1)**	**5.5**	**9.2**	**10.8**
Delaware	7.9	16.9	N/A	3.6	7.4
Maryland	6.4	9.8	1.6	15.6	6.7
New Jersey	17.6	4.5	3.6	(5.9)	9.7
New York	26.4	(18.7)	7.8	(4.9)	13.6
Pennsylvania	9.5	2.2	5.8	18.1	8.5
Great Lakes	**14.4**	**13.4**	**(0.9)**	**16.7**	**5.2**
Illinois	33.2	45.6	(1.8)	0.2	13.2
Indiana	6.0	(42.1)	2.9	68.2	5.3
Michigan	6.4	3.1	(4.2)	2.7	(2.0)
Ohio	3.7	143.9	(3.7)	20.8	(0.3)
Wisconsin	14.6	11.2	7.6	(0.5)	9.8
Plains	**11.7**	**18.0**	**3.9**	**(1.2)**	**7.7**
Iowa	4.5	(33.7)	2.5	(9.4)	0.7
Kansas	32.8	3.0	5.8	(4.4)	13.0
Minnesota	15.1	15.2	3.6	1.6	8.7
Missouri	2.7	104.2	1.0	2.1	4.0
Nebraska	9.9	20.9	8.0	5.4	8.6
North Dakota	12.6	NM	6.5	2.5	19.7
South Dakota	N/A	(12.3)	3.8	(3.2)	5.3
Southeast	**6.1**	**5.9**	**4.9**	**5.2**	**5.5**
Alabama	4.4	6.8	3.4	10.8	3.6
Arkansas	2.6	(7.1)	2.4	(0.4)	1.6
Florida	N/A	(4.7)	5.3	2.1	4.6
Georgia	7.2	3.0	3.9	2.2	4.9
Kentucky	4.2	(5.8)	4.7	(1.2)	10.7
Louisiana	16.8	NM	5.7	2.7	16.2
Mississippi	2.6	2.7	1.5	1.2	0.7
North Carolina	0.8	0.2	4.0	3.7	3.0
South Carolina	4.8	(3.2)	14.0	15.0	8.3
Tennessee	NM	3.4	5.0	22.2	3.2
Virginia	9.3	12.6	4.6	2.7	6.8
West Virginia	8.0	23.3	0.7	23.9	7.1
Southwest	**18.5**	**(66.3)**	**11.0**	**3.5**	**11.4**
Arizona	15.2	(40.6)	6.4	2.7	6.6
New Mexico	44.6	(68.3)	8.1	2.7	15.1
Oklahoma	11.1	NM	18.0	4.2	12.6
Texas	N/A	N/A	11.6	3.6	12.3
Rocky Mountain	**15.7**	**32.5**	**10.5**	**1.2**	**13.2**
Colorado	10.3	35.0	8.9	0.8	11.7
Idaho	14.5	(0.4)	8.9	2.8	9.4
Montana	13.9	75.3	N/A	12.4	19.4
Utah	25.8	30.7	10.6	(1.5)	14.7
Wyoming	N/A	N/A	22.3	(12.6)	18.8
Far West	**17.3**	**39.9**	**3.9**	**16.4**	**13.0**
Alaska	N/A	NM	N/A	14.0	81.1
California	17.7	43.2	2.1	12.6	15.8
Hawaii	11.7	(76.6)	1.4	8.7	5.6
Nevada	N/A	N/A	7.4	38.1	5.2
Oregon	14.5	(14.2)	N/A	2.7	9.7
Washington	N/A	N/A	8.2	31.3	(0.5)

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

NOTES: PIT — personal income tax; CIT — corporate income tax; MFT — motor fuel tax; N/A — not applicable; NM — not meaningful.

TABLE 6. **Personal Income Tax Withholding**

	Year-Over-Year Percent Change							
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
United States	**4.6**	**2.6**	**3.7**	**3.0**	**6.1**	**6.4**	**5.2**	**7.4**
New England	**3.4**	**2.8**	**4.6**	**1.4**	**2.1**	**5.0**	**4.5**	**5.7**
Connecticut	4.1	3.9	4.0	(1.9)	1.5	1.7	2.2	3.4
Maine	(0.0)	(4.1)	(5.9)	(8.8)	3.5	3.9	3.3	5.8
Massachusetts	3.1	3.0	6.0	3.9	2.8	6.9	5.8	7.1
Rhode Island	3.2	3.5	7.9	4.7	3.6	3.0	4.2	4.4
Vermont	8.2	4.7	1.5	3.7	(12.0)	6.5	3.5	3.4
Mid-Atlantic	**4.6**	**0.9**	**0.2**	**3.0**	**5.8**	**7.0**	**3.7**	**6.2**
Delaware	1.2	1.2	1.6	2.7	9.2	6.2	4.7	4.8
Maryland	4.2	(0.6)	8.4	2.0	4.7	10.0	(2.9)	4.4
New Jersey	7.0	2.5	(9.1)	6.2	10.0	13.0	7.3	5.2
New York	3.7	0.8	0.9	2.5	5.2	4.9	4.6	7.8
Pennsylvania	6.8	1.5	(1.4)	2.7	4.4	3.7	4.4	4.4
Great Lakes	**2.5**	**2.9**	**1.3**	**2.1**	**5.3**	**6.2**	**6.7**	**13.7**
Illinois	(1.6)	1.3	(4.7)	1.7	8.6	7.8	26.3	29.3
Indiana	3.0	3.4	4.6	4.6	5.4	5.2	5.6	7.0
Michigan	8.6	5.0	4.9	2.3	3.9	4.7	(3.0)	3.8
Ohio	0.5	0.5	1.1	(0.8)	3.5	4.6	3.2	4.7
Wisconsin	4.3	4.8	4.8	4.1	3.6	7.8	(10.6)	15.8
Plains	**3.8**	**1.9**	**5.9**	**2.3**	**4.8**	**5.3**	**9.2**	**5.8**
Iowa	6.1	3.4	4.0	4.8	1.1	4.4	5.4	3.4
Kansas	1.6	2.1	3.5	2.9	3.8	3.8	51.3	20.0
Minnesota	4.2	1.7	9.0	1.3	7.1	6.9	3.7	4.8
Missouri	5.4	3.4	5.5	3.0	4.7	4.7	5.5	3.6
Nebraska	2.9	5.5	6.2	3.4	5.9	3.6	1.7	5.5
North Dakota	(23.4)	(33.8)	(23.4)	(16.9)	(9.9)	(1.2)	5.9	0.7
Southeast	**5.3**	**3.2**	**3.8**	**4.4**	**5.0**	**4.2**	**2.1**	**3.0**
Alabama	2.7	4.0	2.4	3.9	3.1	4.3	5.3	4.1
Arkansas	(5.8)	5.1	3.6	4.5	4.6	8.5	5.9	4.7
Georgia	8.1	6.0	4.6	5.5	7.3	5.5	2.9	5.6
Kentucky	6.4	4.7	4.9	3.5	2.3	3.5	3.9	3.3
Louisiana	(4.6)	(1.4)	(0.6)	(5.5)	8.8	2.9	(4.2)	11.7
Mississippi	3.4	3.6	1.6	2.2	1.6	2.6	3.1	3.4
North Carolina	9.1	4.2	3.6	6.4	2.3	0.2	(1.8)	(3.1)
South Carolina	8.9	5.8	7.5	6.7	5.1	7.6	1.7	5.3
Virginia	5.3	(0.5)	4.1	4.8	6.7	5.0	4.0	2.0
West Virginia	(2.7)	(2.5)	(1.0)	(0.1)	1.9	5.1	4.5	5.4
Southwest	**0.5**	**(0.9)**	**(1.0)**	**(0.5)**	**6.0**	**4.0**	**4.6**	**6.9**
Arizona	3.8	4.4	5.1	4.0	7.9	4.8	5.4	5.7
New Mexico	2.8	(5.2)	(6.8)	(5.5)	6.6	(7.0)	0.8	10.7
Oklahoma	(4.7)	(6.3)	(6.4)	(4.1)	3.1	7.5	5.2	6.9
Rocky Mountain	**5.7**	**4.8**	**5.4**	**4.3**	**7.7**	**8.2**	**6.7**	**8.8**
Colorado	4.6	4.9	3.9	3.8	7.4	8.4	6.8	7.7
Idaho	4.7	8.2	7.9	6.4	9.3	8.0	8.6	15.1
Montana	4.6	3.3	3.7	1.2	6.8	5.5	3.9	10.0
Utah	8.9	3.7	7.8	5.3	7.7	8.6	6.6	7.7
Far West	**6.6**	**4.3**	**8.5**	**3.6**	**9.4**	**8.6**	**6.9**	**9.0**
California	6.3	3.8	8.8	3.6	9.6	8.9	7.4	9.0
Hawaii	7.8	4.4	5.9	4.2	12.0	1.2	(0.8)	11.8
Oregon	8.6	8.5	6.9	3.7	7.2	8.2	5.4	7.7

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

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

TABLE 7. **Estimated Payments/Declarations**

State	Year-Over-Year Percent Change					
	Payments for Tax Year 2016			Payments for Tax Year 2017		
	June-Aug. 2nd payment	Sep.-Nov. 3rd payment	Dec.-Jan. 4th payment	June-Aug. 2nd payment	Sep.-Nov. 3rd payment	Dec.-Jan. 4th payment
Median	**(4.2)**	**(1.3)**	**(1.8)**	**1.0**	**1.2**	**39.1**
Average	**(8.7)**	**(4.7)**	**1.0**	**1.9**	**(0.5)**	**46.7**
Alabama	(3.4)	0.7	(4.7)	0.8	(2.8)	46.2
Arizona	(8.4)	0.3	1.9	4.4	3.7	62.6
Arkansas	(7.3)	2.5	(2.6)	(3.0)	(2.1)	25.0
California	(7.4)	(1.3)	4.3	3.6	10.8	31.2
Colorado	9.6	(0.4)	5.5	3.4	12.1	45.0
Connecticut	(10.2)	(9.7)	(8.1)	(6.2)	(3.3)	159.6
Delaware	6.3	4.1	(14.2)	9.2	1.2	46.1
Georgia	(3.9)	4.3	(2.1)	6.9	2.6	69.0
Hawaii	(48.3)	(6.8)	66.2	72.6	17.2	12.2
Illinois	(37.9)	(37.0)	(3.3)	9.6	16.6	82.2
Indiana	13.5	5.1	(0.7)	1.7	(3.1)	37.4
Iowa	(1.1)	(2.1)	7.2	(1.5)	3.3	62.0
Kansas	(11.7)	(14.3)	(15.6)	33.2	55.2	335.9
Kentucky	(8.0)	1.5	(3.5)	(0.4)	(1.1)	30.2
Louisiana	(5.0)	(13.9)	3.7	1.8	8.7	61.4
Maine	0.4	3.8	(4.1)	19.2	(2.2)	15.6
Maryland	(3.6)	1.2	5.2	0.4	3.5	32.9
Massachusetts	(3.0)	2.0	(8.0)	(13.4)	(48.6)	68.2
Michigan	(2.7)	0.9	14.6	13.1	10.4	54.0
Minnesota	(0.2)	(0.9)	(1.5)	(4.2)	(0.3)	45.0
Mississippi	(5.2)	(4.5)	9.0	(4.1)	(6.4)	18.1
Missouri	(1.3)	(4.6)	(4.7)	(1.9)	1.9	42.4
Montana	(10.7)	(8.9)	(2.1)	0.6	5.3	48.3
Nebraska	(4.2)	(3.3)	(11.1)	(4.8)	(3.0)	35.9
New Jersey	(9.8)	(12.8)	5.3	(0.3)	(0.2)	17.2
New York	(13.0)	(5.5)	(2.8)	(1.6)	(0.8)	68.7
North Carolina	2.2	0.0	8.5	1.9	3.1	31.1
North Dakota	(37.3)	(34.1)	(22.0)	(15.1)	(8.6)	49.8
Ohio	(31.2)	(31.5)	(27.3)	(3.8)	1.3	58.4
Oklahoma	(21.2)	(15.5)	(2.5)	2.8	4.2	36.1
Oregon	(3.4)	3.4	4.9	6.2	8.9	40.8
Pennsylvania	(10.5)	(4.0)	(1.3)	2.1	1.2	33.4
Rhode Island	(4.3)	5.7	3.3	6.7	(3.6)	31.8
South Carolina	(0.7)	3.9	11.5	(2.0)	(30.3)	31.3
Vermont	(2.8)	2.5	(5.4)	(7.5)	(12.8)	23.6
Virginia	(3.1)	(7.6)	7.1	1.2	(0.2)	36.9
West Virginia	(16.2)	(13.0)	(11.8)	4.8	4.4	27.4
Wisconsin	(3.8)	(1.3)	3.1	(1.0)	(0.3)	17.8

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

TABLE 8. **Final Payments**

	Year-Over-Year Percent Change			
State	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Median	**(2.2)**	**(4.0)**	**(2.9)**	**7.1**
Average	**(0.8)**	**(5.2)**	**2.0**	**15.4**
Alabama	0.6	0.0	(4.9)	6.4
Arizona	1.3	(3.2)	2.8	(4.2)
Arkansas	(14.8)	(14.8)	(13.2)	(7.1)
California	(1.8)	(10.1)	(1.9)	(0.6)
Colorado	(13.3)	4.7	9.3	12.7
Connecticut	11.7	(12.1)	(1.3)	54.5
Delaware	(3.2)	(3.5)	7.5	5.1
Georgia	(6.7)	0.1	25.1	(3.3)
Hawaii	13.8	(11.0)	(7.4)	6.5
Idaho	14.2	0.8	8.4	10.1
Illinois	(5.8)	(1.8)	(13.3)	13.1
Indiana	(4.9)	(1.4)	40.1	(13.6)
Iowa	25.3	(4.3)	(15.9)	(7.5)
Kansas	91.3	(8.2)	69.8	(13.2)
Louisiana	30.7	3.5	(12.7)	26.5
Maine	4.3	0.4	(5.1)	2.7
Maryland	(11.5)	2.7	1.2	8.3
Massachusetts	(13.0)	(4.8)	0.6	31.4
Michigan	(7.3)	(3.3)	(7.8)	(4.1)
Minnesota	(2.7)	(9.5)	1.8	7.7
Missouri	3.4	(9.7)	(3.9)	4.9
Montana	(19.0)	(9.1)	(9.0)	11.8
Nebraska	(3.5)	(16.6)	(13.8)	16.9
New Jersey	2.8	2.0	48.8	97.7
New Mexico	(4.1)	4.9	9.6	41.7
New York	(9.1)	(7.6)	(10.8)	(2.0)
North Carolina	12.7	(11.1)	(4.7)	29.6
North Dakota	(17.1)	(7.1)	0.0	(14.9)
Ohio	8.5	0.6	(27.4)	(6.7)
Oklahoma	4.8	(2.5)	(9.0)	(3.5)
Pennsylvania	0.2	(0.2)	(0.0)	17.8
Rhode Island	37.5	(7.3)	(7.8)	(5.5)
South Carolina	(19.6)	(4.4)	31.1	30.4
Utah	(4.9)	6.1	16.1	72.3
Vermont	(13.5)	(3.7)	13.0	10.6
Virginia	(36.1)	(6.9)	(19.8)	NM
West Virginia	14.9	(12.0)	(9.2)	16.5
Wisconsin	3.2	(8.7)	(4.5)	7.1

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

NOTES: ND — no data; NM — not meaningful.

TABLE 9. **Percent Change in Inflation Adjusted State Taxes Other Than PIT, CIT, General Sales, and Motor Fuel Sales Taxes**

Year-Over-Year Real Percent Change; Four-Quarter Moving Averages					
Quarter	Property tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators license taxes	Other taxes
Nominal collections (mlns), last 4 quarters	$16,249	$19,732	$6,726	$28,619	$127,784
2017 Q4	(0.9)	6.5	1.8	(0.3)	4.0
2017 Q3	(1.2)	3.8	2.4	3.6	2.7
2017 Q2	0.4	1.9	1.6	1.4	1.4
2017 Q1	2.9	1.1	0.3	2.2	(1.3)
2016 Q4	2.1	1.2	0.2	2.4	(1.7)
2016 Q3	4.6	0.9	0.4	0.7	(2.9)
2016 Q2	3.9	0.4	1.4	2.3	(2.3)
2016 Q1	4.8	1.6	2.4	2.1	(1.8)
2015 Q4	8.6	(0.0)	1.4	2.6	(1.4)
2015 Q3	6.1	(0.9)	1.3	1.5	(0.5)
2015 Q2	5.2	(2.2)	1.5	1.1	(0.3)
2015 Q1	4.3	(4.0)	(0.2)	1.2	0.6
2014 Q4	0.8	(4.6)	1.5	(0.6)	(1.2)
2014 Q3	3.3	(3.6)	1.4	0.8	(1.0)
2014 Q2	5.4	0.7	0.1	1.3	(0.3)
2014 Q1	5.3	2.0	1.5	1.0	0.2
2013 Q4	5.0	3.8	(0.6)	0.5	3.8
2013 Q3	3.4	3.7	(2.3)	(0.4)	4.2
2013 Q2	(0.2)	(0.9)	(1.7)	(0.8)	3.9
2013 Q1	(3.2)	(1.5)	(0.0)	0.3	4.1
2012 Q3	(4.8)	(2.5)	2.3	2.1	2.5
2012 Q3	(9.2)	(3.3)	3.5	3.1	3.8
2012 Q2	(10.5)	(2.2)	3.1	3.1	5.1
2012 Q1	(10.7)	(2.5)	0.7	2.1	8.4
2011 Q4	(11.0)	(1.8)	(0.5)	1.8	13.0
2011 Q3	(7.6)	(1.0)	0.5	0.3	13.4
2011 Q2	(3.9)	0.7	1.5	1.5	13.8
2011 Q1	2.4	2.7	3.1	3.3	11.5
2010 Q4	8.1	3.1	3.2	4.0	9.2
2010 Q3	13.3	2.2	3.0	5.6	5.8
2010 Q2	13.4	0.6	2.2	3.9	(2.1)
2010 Q1	9.9	(1.1)	0.8	1.5	(10.3)
2009 Q4	6.1	(1.5)	0.6	0.2	(15.4)
2009 Q3	(0.5)	0.4	0.1	(1.2)	(15.5)
2009 Q2	(2.0)	1.3	(0.1)	(0.9)	(8.5)
2009 Q1	(3.7)	2.6	0.4	(0.4)	(1.3)
2008 Q4	(2.8)	3.1	0.5	(1.1)	2.5
2008 Q3	1.8	3.5	(0.1)	(0.5)	5.6
2008 Q2	3.4	5.9	0.6	(0.3)	3.6
2008 Q1	4.1	6.2	0.6	(1.0)	3.1
2007 Q4	3.6	6.2	0.6	(0.4)	2.1
2007 Q3	1.6	4.0	1.7	(0.8)	(0.8)
2007 Q2	(0.1)	0.6	1.5	(0.8)	(1.9)
2007 Q1	1.8	1.7	0.7	0.6	(1.1)
2006 Q4	0.3	2.8	1.2	1.1	(0.2)
2006 Q3	(0.2)	5.5	1.3	1.0	0.9
2006 Q2	(0.0)	9.1	1.3	0.8	1.3
2006 Q1	0.9	7.0	2.5	0.2	0.4
2005 Q4	2.0	5.5	1.7	0.4	0.3
2005 Q3	3.5	4.3	(0.1)	2.0	0.9
2005 Q2	3.6	2.2	(0.5)	2.8	1.5
2005 Q1	1.8	3.0	(2.3)	3.7	3.9

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

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the U.S. Census Bureau in December 2017. 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. The Census Bureau often reports imputed data for the states for which it does not receive data on a timely manner. 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.

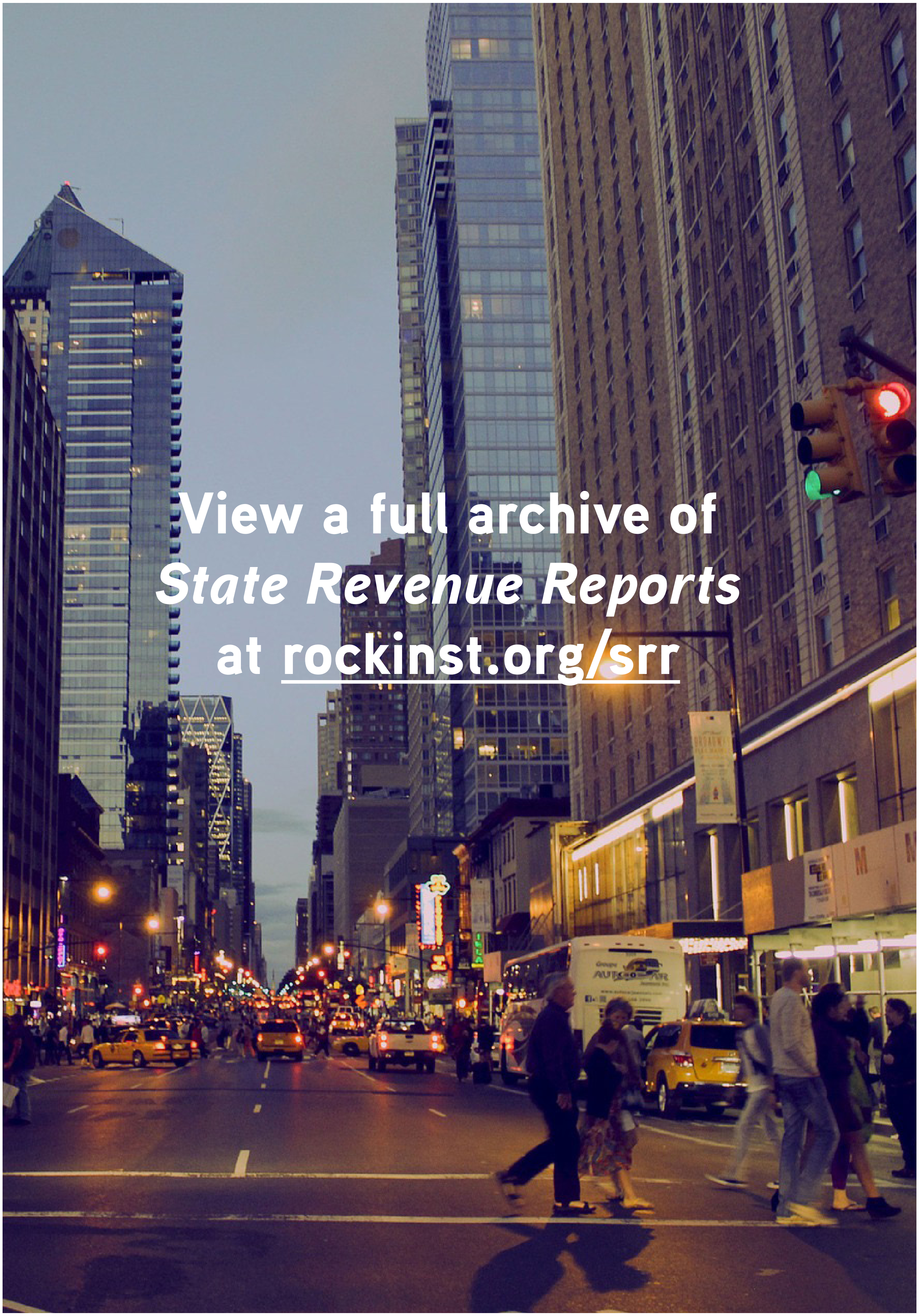
Endnotes

1. See Lucy Dadayan, *Revenues Likely to Fluctuate Due to the Passage of the Federal Tax Cuts and Jobs Act and as States Explore Ways to Mitigate Its Impact*, State Tax Revenue Report #110 (Albany: Nelson A. Rockefeller Institute of Government, March 2018), http://rockinst.org/wp-content/uploads/2018/03/State_Revenue_Report_Third_Quarter_2017.pdf.
2. See Lucy Dadayan and Donald J. Boyd, *Weak Stock Market and Declines in Oil Prices Depressed State Tax Revenues*, State Revenue Report #104 (Albany: Nelson A. Rockefeller Institute of Government, September 2016), http://www.rockinst.org/pdf/government_finance/state_revenue_report/2016-09-21-SRR_104_final.pdf; and Lucy Dadayan and Donald J. Boyd, *State Tax Revenue Continue Slow Rebound*, State Revenue Report #90 (Albany: Nelson A. Rockefeller Institute of Government, February 2013), http://www.rockinst.org/pdf/government_finance/state_revenue_report/SSR-90.pdf.
3. We have made several adjustments for the October-December quarter as well as several prior quarter tax revenue data reported by the Census Bureau, based on the information and data provided to us directly by the states.
4. See Lucy Dadayan and Donald Boyd, *Double, Double, Oil and Trouble*, By The Numbers Brief (Albany: Nelson A. Rockefeller Institute of Government, February 2016), http://www.rockinst.org/pdf/government_finance/2016-02-By_Numbers_Brief_No5.pdf.
5. For more information, see *Illinois Income Tax Increase Guidance – Detailed Instructions For Filing Your 2016 Illinois Income Tax Return and 2017 Estimated Payments*, Informational Bulletin FY 2018-02, Illinois Department of Revenue, July 2017, http://www.revenue.state.il.us/Publications/Bulletins/2018/FY-2018-02.pdf.
6. For more information, see Income *Tax Rates and Withholding Rates Changed For Individuals, Estates, and Trusts*, Notice 17-02, Kansas Department of Revenue, July 2017, https://www.ksrevenue.org/taxnotices/notice17-02.pdf.
7. See, for example, "OLS Revenue Snapshot: FY 2018 – Through December 2017," New Jersey Legislature, January 16, 2018, http://www.njleg.state.nj.us/legislativepub/budget/FY18_December.pdf.
8. The 16.8 percent calendar year average growth 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.
9. See *South Dakota vs. Wayfair*, Brief of *Amici Curiae* Law Professors and Economists in Support of Petitioner, No. 17-494, March 5, 2018, https://www.supremecourt.gov/DocketPDF/17/17-494/37603/20180305141434827_Brief%20of%20Amici%20Curiae%20Law%20Professors%20and%20Economists%20iso%20Petitioner.PDF.
10. See *Sales Taxes: States Could Gain Revenue from Expanded Authority, but Businesses Are Likely to Experience Compliance Costs*, GAO-18-114 (Washington, DC: U.S. Government Accountability Office, November 2017), https://www.gao.gov/assets/690/688437.pdf.
11. See *The Fiscal Survey of States: Fall 2017* (Washington, DC: National Association of State Budget Officers, December 2017), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Fiscal%20Survey/NASBO_Fall_2017_Fiscal_Survey__S_.pdf.

Get the Data

The Rockefeller Institute offers a subscription service for tax revenue data for all fifty states.

To subscribe, or to obtain the data in this report, contact Lucy Dadayan at lucy.dadayan@rockinst.suny.edu.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About the Fiscal Analysis Program

The Rockefeller Institute's Fiscal Analysis Program conducts research on the 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 research scientist at the Rockefeller Institute. Thomas Gais, director of policy and research, provided valuable feedback on the report.

For traditional tables and figures included in the previous reports, please contact Lucy Dadayan at lucy.dadayan@rockinst.suny.edu.

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