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### NEWS

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## **California and New York Income Tax Growth Helps Drive Increase in State and Local Government Tax Revenues in First Quarter of 2017**

### ***Even With Stronger Growth, Uncertainty and Volatility Remain for State and Local Governments***

Albany, — Today, the Rockefeller Institute of Government released its latest state and local governments fiscal report showing relatively strong growth in tax revenues in the first quarter of 2017. The stronger growth in overall tax collections is largely attributable to a robust income tax growth in California and New York. This may reflect shifting of bonus payouts out of 2016 into 2017 to take advantage of anticipated potential tax cuts in 2017.

Even with a relatively strong quarter, state and local governments continue to face significant fiscal uncertainty because of the volatility of the stock market, taxpayer gaming in anticipation of Trump-era federal income tax rate cuts, weakness in sales tax revenue and in oil-producing states, declines in corporate income taxes, and the recent devastation in Texas and Florida from Hurricanes Harvey and Irma.

Specifically, the report finds that in the first quarter of 2017 compared to the same quarter in 2016:

- State tax revenue grew 3.1 percent.
- Personal income tax revenues increased 8.2 percent.
- Sales tax revenue increased 2.3 percent and motor fuel tax increased 0.9 percent.
- Corporate income tax revenue declined 26.9 percent, marking the sixth consecutive quarterly decline. The steep declines are at least partially attributable to due date changes for returns and final payments from March 15th to April 15th for C-corporations.

In addition, the report also found that:

- Preliminary figures for the second quarter of 2017 indicate a slowing in year-over-year growth in state tax revenues to 2.3 percent, compared to the 3.1 percent year-over-year growth in the first quarter in 2017.
- Early data for the second quarter indicate substantial weakness and declines in income tax collections, mostly attributable to declines in final payments.
- Revenue forecasts for 2018 remain relatively weak for both personal income and sales tax collections.
- Oil-dependent states continue to face significant fiscal challenges.
- States face fiscal uncertainty, with federal tax policy still in flux and potential cuts in federal aid to the states on the horizon.
- Hurricanes Irma and Harvey caused significant economic and fiscal damage to Texas and Florida.

The report was co-authored by Senior Research Scientist Lucy Dadayan and Fiscal Studies Director Donald J. Boyd.

A copy of the report can be found here:

[www.rockinst.org/pdf/government\\_finance/state\\_revenue\\_report/2017-09-19-srr\\_108.pdf](http://www.rockinst.org/pdf/government_finance/state_revenue_report/2017-09-19-srr_108.pdf).

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### **About the Rockefeller Institute of Government**

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