

Rockefeller

SUNY

Institute of Government

NEWS

December 15, 2017

For Immediate Release
Contact for Rockefeller Institute:

Kyle Adams,
Communications
(518) 443-5835

or by email at communications@rockinst.suny.edu

State and Local Tax Revenue Growth Slowed in the Second Quarter of 2017, Continuing Trend of Uncertainty and Volatility

New Rockefeller Institute Report Shows Volatility in Income Tax, Continued Weakness in Sales Tax, and Slower Growth in Property Tax

11 States Report Shortfalls, Down From 28 the Year Before

Albany, NY — State and local government revenue from major taxes increased by 1.8 percent in the second quarter of 2017 compared to the previous year, a slowdown from the 2.2 percent average growth in the prior four quarters, according to a [new report from the Rockefeller Institute of Government](#).

The slowdown was primarily driven by declines in state personal income tax revenue. Total state tax revenue was buoyed somewhat by an increase in sales tax revenue and substantial increases in corporate income tax revenue, which report author Lucy Dadayan cautions may have been due to a change in IRS filing deadlines — meaning prior persistent declines in corporate income tax revenue could reappear in future analyses.

Eleven states reported declines in total state tax revenue in the second quarter, compared to the 28 states that saw shortfalls just a year before. Nevertheless, the consequences of those revenue holes became apparent as 11 states filed late budgets for fiscal year 2018, a record number.

The state revenue report, released today, includes the following findings:

- **Total state tax revenue grew by 2.7 percent** in the second quarter of 2017, exceeding the weak 1 percent growth for the prior four quarters. That growth was mostly driven by an increase in state sales and corporate income tax revenues.
- **Total local tax revenue grew by 1.7 percent**, a decrease from the rate of 3.6 percent growth over the prior four quarters. This was driven largely by a decline in sales tax revenue and slower growth in property taxes (less than half the rate of the prior four quarters), the largest single source of local government revenue.
- **State personal income tax revenue fell by 0.1 percent** over the previous year, dropping from 2 percent growth over the prior four quarters. This continues a four-year trend of significant swings in personal income tax revenue from quarter to quarter.

- **Preliminary data for the third quarter of 2017** indicates stronger growth in personal income taxes at 4.7 percent and modest growth in sales tax revenue at 2.7 percent.

If they continue, these weak and uncertain revenue trends may force state and local governments to grapple with difficult fiscal decisions — especially as pending federal tax changes, potential cuts in federal domestic spending, and changes in health care policy threaten to further burden their budgets.

The report was written by Rockefeller Institute Senior Research Scientist Lucy Dadayan.

[Read the full report.](#)

###

About the Rockefeller Institute of Government

The Nelson A. Rockefeller Institute of Government is the public policy research arm of the State University of New York. The Institute conducts fiscal and programmatic research on American state and local governments. Journalists can find useful information on the Newsroom page of our Web site, www.rockinst.org.

In addition, you can sign up to follow us on  [Facebook](#) or  [Twitter](#).