



Reuters News Service, January 15, 2008

U.S. state tax revenue slows in third quarter

By Anastasija Johnson

NEW YORK, Jan 15 (Reuters) - U.S. states' tax revenue rose at a slower pace in the third quarter of 2007 as corporate tax receipts declined and sales tax growth stayed at levels seen after the last recession, a new report said on Tuesday.

The total amount that the states collected grew 4.4 percent year-on-year, down from a 6.1 percent increase in the second quarter, according to the report by the Albany, N.Y.-based Nelson A. Rockefeller Institute of Government.

Six states — Florida, North Carolina, Nevada, Rhode Island, New Hampshire and Ohio — reported a decline in revenue.

After adjusting for inflation and tax changes, total state tax revenues fell 0.6 percent, the first such decline in four years.

“While economists differ on whether the nation is entering a recession, there is certainly a slowdown occurring and state tax revenue may not recover to strong growth rates for the next few quarters,” the report said.

Despite strong personal income tax revenue growth, sales taxes continued to lag and corporate income taxes again showed one of the weakest performances in five years, the report said.

Corporate tax receipts fell 2.4 percent in the third quarter, as 25 states reported lower collections, with Ohio posting the largest decline, at 116.6 percent.

Corporate tax receipts are volatile, the institute said. The category last declined in the first quarter of 2006, but prior to that it increased for 3.5 years.

Sales tax revenue growth was historically low for the third consecutive quarter and matched rates seen just after the last recession, the report said.

Sales tax collections rose 3.1 percent in the July-September period, with Idaho posting the highest increase of 20.9 percent. Kansas led the nine states with contracting receipts, posting a 6.6 percent decline.

The personal income tax category remained fairly strong as collections rose 6.3 percent, but growth slowed from 8.7 percent in the second quarter.