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Rockefeller: Faltering tax revenues puts squeeze on NY

By Aramis M. Grant

A report on states' tax revenues issued last week by the Nelson A. Rockefeller Institute of Government lists New York as among those states suffering from weakened revenues at a time when the cost of providing government services is on the rise.

"New York, like other states, has to find ways to deliver services more effectively," said Deputy Director of the Rockefeller Institute of Government Robert Ward who co-authored the report.

Ward said all states are facing challenges, but the overall numbers for New York are fairly typical.

"Purchasing power of the state tax dollars are shrinking," Ward said.

He said making the dollar value more effective is what is increasingly important in terms of improving state tax rates.

The institute's research focused on the three major state taxes over the course of 36 quarters beginning in 1999 and ending in 2007: personal income tax, corporate income tax and sales tax.

According to the report, tax revenues collected by states during the fourth quarter of 2007 grew just 2.3 percent over 2006 revenues during that same period. But, taking inflation and changes in tax regulations into account, the institute found state tax revenues nationwide actually decreased by 4.3 percent during that quarter, which represented "the weakest" tax revenues since 2003.

Along with New Jersey, Maryland, Delaware, and Pennsylvania, New York is one of the Mid-Atlantic states, to have a slowing state tax revenue rate.

Rockefeller Institute Senior Policy Analyst Lucy Dadayan said although New York is doing better than other states, such as Arizona, Tennessee and North Carolina, the rate of increase in tax revenues here was still fairly low.

The total revenue growth rate for New York's major taxes was 0.3 percent when comparing the fourth quarter of 2006 to the fourth quarter of 2007.

Comparing revenues from those same time periods, the Rockefeller Institute reported New York's total personal income tax collections increased by 7 percent; its corporate income tax declined 31.2 percent; and state sales tax revenues increased 2.7 percent.

Overall, tax revenues collected by states during the October to December quarter of 2007 grew 2.3 percent in comparison to the same period in 2006. But the costs of state and local government services continued a recent trend of increases.

In the institutes report, it was recorded that state tax revenues were at their weakest since 2003.

"States are experiencing a classic nutcracker effect: Costs are rising sharply just as revenues falter," said Rockefeller Institute of Government Deputy Director Robert B. Ward, in a press release. "The results may be a squeeze on states' ability to fund services," Ward said.

The full report can be viewed on the institute's Web site: www.rockinst.org.

The institute, according to its Web site, is the public policy arm of the State University of New York and conducts fiscal and programmatic research on American state and local governments. It works with federal, state, and local government agencies in New York and nationally.