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Many States Ring Up Lower Sales-Tax Revenues
By Sudeep Reddy

Weak consumer spending is pushing sales-tax revenue down in many states.

Of the 36 states that have released sales-tax data for the first three months of this year, 21 showed outright declines, compared with the first quarter of 2007, according to a tally to be released Thursday by the Rockefeller Institute of Government, a research arm of the State University of New York.

“The sales-tax declines suggest that consumption, retail sales and the income needed to support spending are slowing considerably,” authors Donald Boyd and Lucy Dadayan say in the report. Forty-five states collect sales taxes, which are the largest or second-largest tax source for most.

Sales-tax revenue declined 0.1% versus last year for the 36 states that have reported figures so far.

Excluding Texas, a big economy that is performing better than most, sales-tax revenues among the other 35 reporting states declined 1%.

Nine of the 21 states with declining state-tax revenues were in the Southeast, hit hard by the subprime-mortgage troubles. In those states, sales-tax revenue declined 3.8%. The Rocky Mountain region had a 1.8% decline. Three out of four of the states in that region that collect sales taxes showed drops.

U.S. retail sales rose a scant 0.2% in March before inflation and declined in inflation-adjusted terms, the Commerce Department said.

Total state tax revenues — income, sales and other taxes — are showing “deteriorating growth,” the Rockefeller Institute said, but were up 1.7% year over year in the first quarter. Of the 41 states with income taxes, 36 have reported first-quarter data and say income-tax revenue in the first quarter was 4.7% higher than last year’s first quarter.