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Analysis Shows State Tax Revenues Still in Decline in First Quarter of 2008
By Gerald B. Silverman

ALBANY, N.Y. — State tax revenues in the first quarter of this year increased a mere 1.7 percent over the same period last year, marking the slowest quarterly growth in five years, according to the latest issue of *State Revenue Report*, released July 1 by the Nelson A. Rockefeller Institute of Government.

Revenues actually declined by 5.3 percent for the quarter once the effects of inflation and legislated tax changes were taken into account, the report said.

Personal income tax revenues rose 4.4 percent, corporate income tax revenues declined by 5.1 percent, and sales tax revenues declined by .04 percent. It was the first decline in sales tax revenues in six years, according to the report.

“To date, the tax revenue weakness has been mild when compared with past recessions,” Donald Boyd, senior fellow at the institute and co-author of the report, said in a statement.

“However, the seeds of greater fiscal stress are already sown — economic weakness is spreading rapidly and tax revenue from the continuing base should be very weak in the April-June quarter, although perhaps partially masked by payments with 2007 tax returns.”

Below Historical Average. According to the report, tax revenue growth was far below the historical average of 4.9 percent over the past 37 quarters.

The report said tax revenues increased by more than 10 percent in Alaska, Iowa, North Dakota, and

West Virginia, but declined by more than 10 percent in Arizona, Montana, Florida, Georgia, Idaho, Mississippi, Nebraska, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, and Utah.

The New England states had the highest increase in tax revenues, 5.3 percent. They were followed by the Plains states (3.8 percent), the Mid-Atlantic (3.6 percent), the Great Lakes (2.6 percent) states, the Far West (2.6 percent), and the Southwest (0.4 percent). Revenues declined by 2.6 percent in the Southeast and 2.1 percent in the Rocky Mountain region. When the effects of inflation and legislated tax changes are taken into account, revenues declined in all regions of the country, including 7.7 percent in the Southeast; 7.1 percent in the Rocky Mountains; 5.6 percent in the Great Lakes; 5 percent in the Mid-Atlantic, Southwest, and Far West; 1.9 percent in the Plains; and 1.6 percent in New England.

Other key points in the report include:

- States collected \$155.3 billion in tax revenues during the first quarter, including \$64 billion from personal income taxes, \$55 billion from sales taxes, and \$10 billion from corporate income taxes.
- Legislated tax changes accounted for a net increase of \$1.7 billion in tax revenues for the quarter.
- Revenues in the first quarter declined for the third consecutive quarter, when adjusted for inflation and tax changes.