U.S. states lower revenue estimates amid tax, economic uncertainty

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March 27 (Reuters) - U.S. states are reducing their tax revenue forecasts due to concerns over a projected slump in economic growth, low oil prices, possible federal tax cuts and other factors, according to an analysis released on Monday.

The Rockefeller Institute of Government, the public policy research arm of the State University of New York, said while the revised forecasts varied, states generally anticipate continued sluggish growth for their two biggest revenue sources: income and sales taxes. That will squeeze already-tight state budgets.

"States will have to find a way to raise revenue or cut spending," said Lucy Dadayan, one of the study's authors.

For fiscal 2017, which in most states began on July 1, the median income tax growth rate slipped to 3.6 percent from 4 percent, while the rate for sales taxes fell to 3.1 percent from 4.2 percent.

In fiscal 2018, states forecasted slight increases over fiscal 2017 with the median growth rate for income taxes at 4.1 percent and sales taxes at 3.5 percent.

"In general, forecasted growth both for income tax and sales tax is much slower than historical growth rates, which averaged around 7 percent between 1981 and 2007, right before the start of the Great Recession," the analysis said.

It also said federal tax cuts promised by President Donald Trump's administration gave taxpayers the incentive to push income out of 2016 and into 2017 to take advantage of prospective lower rates. As a result, fiscal 2017 income tax collections based on 2016 income could decrease, while fiscal 2018 collections based on 2017 income could increase.

"The most recent analysis from the Congressional Budget Office estimated a 10.4 percent decline in capital gains in 2016, despite the strong stock market, followed by an 11 percent bounce-back in 2017," the Rockefeller Institute analysis said.

(Reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)