



States Forecast Slow Tax Revenue Growth in 2017 and Over the Longer Term

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A new feature in our latest [State Revenue Report](#) demonstrated that many states are forecasting slower personal income tax and sales tax revenue growth in 2016 than in 2015. States are now preparing forecasts for fiscal year 2017, which will form the basis for spending decisions in governors’ budgets to be released over the next several months.

States expect tax revenue growth to be slow again in 2017. States forecast weaker growth in revenues due in part to expected slower growth in the economy but also as a result of long-term demographic changes. Table 1 summarizes states’ most recent forecasts for income and sales taxes, the two largest taxes, for thirty-nine states for which we were able to collect forecast data for fiscal years 2016 and 2017. (See Table 2 for individual states’ forecasts.) The median state forecast for personal income tax growth is 4.4 percent in 2016 and 4.6 percent in 2017, both of which are down from state-estimated growth of 6.7 percent in 2015. Similarly, the median sales tax forecast slows from 4.7 percent in 2015 to 4.2 percent in 2016 and 3.9 percent in 2017. Fewer states are forecasting growth of more than 5 percent in both 2016 and 2017 than in 2015, for both the income tax and the sales tax. Overall, eighteen of thirty-three states with income tax forecasts are forecasting slower income tax growth in 2017 than in 2016, and nineteen of thirty-six states are forecasting slower sales tax growth.

Table 1. States Predict Slower Income and Sales Tax Revenue Growth in 2016

Most-recent tax revenue forecasts from states					
	FY 2015	FY 2016	FY 2017	Change from 2015 to 2016	Change from 2016 to 2017
Personal income tax					
Median forecast	6.7%	4.4%	4.6%	-2.3%	0.2%
# states expecting >5% growth	21	11	13	-10	2
Sales tax					
Median forecast	4.7%	4.2%	3.9%	-0.5%	-0.3%
# states expecting >5% growth	18	13	9	-5	-4
*Reflects 33 states with income tax forecasts and 36 states with sales tax forecasts.					

States benefited from the strong stock market in 2014, which led to strong income tax collections in fiscal 2015. The subsequent weakening of the stock market likely is contributing to states’ forecasts of slower income tax growth in 2016 and 2017.

Table 2 shows the forecasts for the individual states. It also shows the forecast month and year. In twenty-six states forecast dates are between July 2015 and December 2015, indicating that their forecasts for fiscal 2015 are

actual or close to actual collections. Forecasts vary significantly from state to state, reflecting many factors including reliance on capital gains, state overall economic conditions, oil supplies and oil prices, financial and real estate market developments, state specific policy changes, and others.

Most states anticipate considerable downward pressure over the long-term revenue forecast horizon. Here are highlights from selected states:

- Forecasters in Oregon warn: “As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes and general sales taxes will become less effective, and revenue growth will fail to match the pace seen in the past.”¹
- Forecasters in Pennsylvania predict slower growth in personal income tax collections in the coming years in part because, as Baby Boomers retire, an increasing share of their income will not be subject to tax. “Over time, retirement and maintenance income will comprise a larger share of total Pennsylvania income.... That income will largely be unaffected by trends in the Pennsylvania economy.”²
- Colorado is expecting slower growth in income tax collections in 2016 as “growth in estimated payments, which include income taxes on capital gains earnings, mineral royalties, and certain non-corporate business income, is expected to fall in the current fiscal year, reflecting the pull back in oil and gas activity, and a more moderate pace of economic growth in the state.”³
- Ohio is forecasting large declines in income tax collections in fiscal 2016 and modest declines in 2017, mostly due to tax rate reduction. Ohio is forecasting rapid sales tax growth in 2016 followed by slower growth in 2017, reflecting a tax rate increase.⁴

The overall picture is of continued but sluggish growth in fiscal years 2016 and 2017 and continued fiscal challenges and uncertainties for the states.

¹ See Oregon Economic and Revenue Forecast, December 2015, p. 27,

<http://www.oregon.gov/DAS/OEA/docs/economic/forecast1215.pdf>.

² See Economic and Budget Outlook: Commonwealth of Pennsylvania, December 2015, p. 18,

http://www.ifo.state.pa.us/resources/PDF/Five_Year_Outlook_2015.pdf.

³ See Focus Colorado: Economic and Revenue Forecast, September 2015, p. 17,

https://www.colorado.gov/pacific/sites/default/files/SeptForecasttoPost_1.pdf.

⁴ See Blueprint for a New Ohio, February 2015, p. B-42,

http://obm.ohio.gov/Budget/operating/doc/fy-16-17/State_of_Ohio_Budget_Recommendations_FY-16-17.pdf.

Table 2. State Personal Income and Sales Tax Revenue Forecasts for FY 2016 vs. FY 2017

State	Forecast month	Personal Income Tax (\$ in Millions)					Sales Tax (\$ in Millions)				
		FY 2015	FY 2016	FY 2017	% chg,	% chg,	FY 2015	FY 2016	FY 2017	% chg,	% chg,
		Forecast	Forecast	Forecast	2015-16	2016-17	Forecast	Forecast	Forecast	2015-16	2016-17
Arizona	May-15	3,572.8	3,671.3	3,843.7	2.8	4.7	4,127.9	4,276.3	4,507.7	3.6	5.4
Arkansas	May-15	2,596.4	2,660.7	2,684.9	2.5	0.9	2,212.7	2,273.0	2,353.4	2.7	3.5
California	May-15	75,384.0	77,700.0	81,700.0	3.1	5.1	23,684.0	25,240.0	25,800.0	6.6	2.2
Colorado	Sep-15	6,350.1	6,451.9	6,835.5	1.6	5.9	2,881.4	3,044.6	3,250.9	5.7	6.8
Connecticut	Nov-15	9,148.7	9,645.0	10,004.1	5.4	3.7	4,216.3	4,121.1	4,084.7	(2.3)	(0.9)
Delaware	Sep-15	1,251.9	1,306.7	1,372.1	4.4	5.0	N/A	N/A	N/A	N/A	N/A
Florida	Aug-15	N/A	N/A	N/A	N/A	N/A	21,062.7	21,957.0	23,178.9	4.2	5.6
Hawaii	Sep-15	1,987.8	2,058.5	2,163.8	3.6	5.1	2,992.7	3,185.4	3,362.1	6.4	5.5
Indiana	Apr-15	5,048.7	5,121.8	5,283.1	1.4	3.1	7,226.3	7,504.7	7,839.6	3.9	4.5
Iowa	Oct-15	4,207.3	4,490.5	4,743.0	6.7	5.6	2,753.0	2,805.5	2,912.0	1.9	3.8
Kansas	Nov-15	2,277.5	2,450.0	2,485.0	7.6	1.4	2,485.0	2,675.0	2,775.0	7.6	3.7
Kentucky	Oct-15	4,069.5	4,258.0	4,412.2	4.6	3.6	3,267.3	3,422.0	3,540.2	4.7	3.5
Louisiana	Aug-15	2,886.1	3,012.9	3,126.4	4.4	3.8	2,700.8	2,935.1	2,919.9	8.7	(0.5)
Maine	May-15	1,500.3	1,548.8	1,640.4	3.2	5.9	1,194.0	1,127.5	1,180.6	(5.6)	4.7
Maryland	Sep-15	8,346.1	8,745.3	9,173.3	4.8	4.9	4,350.7	4,543.1	4,710.1	4.4	3.7
Michigan	May-15	8,604.7	8,924.9	9,215.2	3.7	3.3	8,110.5	8,385.4	8,399.2	3.4	0.2
Minnesota	Feb-15	10,045.0	10,731.0	11,326.0	6.8	5.5	5,162.0	5,320.0	5,600.0	3.1	5.3
Mississippi	Oct-15	1,743.4	1,830.0	1,903.2	5.0	4.0	2,260.8	2,326.7	2,415.1	2.9	3.8
Montana	Apr-15	1,142.5	1,229.1	1,311.2	7.6	6.7	N/A	N/A	N/A	N/A	N/A
Nebraska	Aug-15	2,205.5	2,285.0	2,405.0	3.6	5.3	1,535.4	1,615.0	1,691.0	5.2	4.7
Nevada	May-15	N/A	N/A	N/A	N/A	N/A	1,037.8	1,098.1	1,158.3	5.8	5.5
New Mexico	Aug-15	1,340.0	1,379.0	1,440.0	2.9	4.4	2,211.0	2,302.5	2,399.7	4.1	4.2
New York	Aug-15	43,709.0	47,075.0	49,701.0	7.7	5.6	12,991.0	13,532.0	14,067.0	4.2	4.0
North Carolina	Mar-15	10,471.0	10,859.3	11,342.0	3.7	4.4	6,390.0	6,715.8	7,046.1	5.1	4.9
Ohio	Feb-15	10,163.5	8,179.2	8,172.9	(19.5)	(0.1)	10,304.1	11,874.9	12,722.3	15.2	7.1
Oregon	Sep-15	7,330.3	7,659.6	8,058.6	4.5	5.2	N/A	N/A	N/A	N/A	N/A
Pennsylvania	Dec-15	12,107.0	12,687.0	13,180.0	4.8	3.9	9,493.0	9,840.0	10,188.0	3.7	3.5
Rhode Island	Nov-15	1,227.6	1,214.9	1,265.4	(1.0)	4.2	963.4	981.0	1,015.0	1.8	3.5
South Carolina	Nov-15	3,661.2	3,888.1	4,066.7	6.2	4.6	2,643.7	2,785.5	2,925.8	5.4	5.0
South Dakota	Dec-15	N/A	N/A	N/A	N/A	N/A	836.6	872.6	904.9	4.3	3.7
Tennessee	Nov-15	303.4	325.6	341.0	7.3	4.7	7,706.1	8,140.9	8,575.7	5.6	5.3
Texas	Oct-15	N/A	N/A	N/A	N/A	N/A	28,787.4	29,143.7	30,546.2	1.2	4.8
Utah	Nov-15	3,157.7	3,320.9	3,466.6	5.2	4.4	1,715.0	1,780.3	1,852.4	3.8	4.0
Vermont	Jul-15	705.9	763.8	797.8	8.2	4.5	364.6	382.2	394.3	4.8	3.2
Virginia	Dec-15	12,328.7	12,778.0	13,162.4	3.6	3.0	3,235.4	3,397.7	3,528.9	5.0	3.9
Washington	Sep-15	N/A	N/A	N/A	N/A	N/A	8,802.3	9,368.6	9,798.5	6.4	4.6
West Virginia	Jan-15	1,809.6	1,860.5	2,009.0	2.8	8.0	1,253.5	1,281.3	1,325.4	2.2	3.4
Wisconsin	Jan-15	7,350.0	7,845.0	8,255.0	6.7	5.2	4,880.0	5,030.0	5,190.0	3.1	3.2
Wyoming	Oct-15	N/A	N/A	N/A	N/A	N/A	544.0	466.8	470.5	(14.2)	0.8
US Median		\$268,033	\$277,957	\$290,886	4.4	4.6	\$206,382	\$215,751	\$224,630	4.2	3.9

Source: Individual state data, analysis by the Rockefeller Institute.

Notes: Data are missing for nine state: AL, GA, ID, IL, MA, MO, ND, NJ, & OK. In addition, no data is reported for AK & NH as both states don't have either personal income or sales tax.

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