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Softening Third-Quarter Growth in State Taxes, Weak Forecasts for Fiscal 2016 and 2017

Preliminary Figures Show Further Weakening in State Taxes in the Fourth Quarter; Recent Stock Market and Oil Price Declines Raise a Yellow Flag for State Budgets

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HIGHLIGHTS

- State tax revenue growth slowed in the third quarter of 2015. Year-over-year growth was 3.8 percent, compared with second quarter growth of 6.9 percent and first quarter growth of 5.1 percent.
- Personal income tax revenue growth slowed to 6.5 percent on a year-over-year basis, down from 14.4 percent growth in the second quarter of 2015. Thirty-four states reported increases in personal income tax collections, while nine states reported declines. Second-quarter growth had been atypically high, likely reflecting the strong stock market of 2014 and taxpayer response to federal tax rate changes.
- Growth was also weak in all other major tax sources: corporate income taxes grew by 1.0 percent, sales taxes 3.2 percent, and motor fuels 5.3 percent
- Preliminary figures for the fourth quarter of 2015 indicate further weakening in state tax collections, at 2.6 percent growth. Personal income tax growth slowed to 4.8 percent and sales tax slowed to 2.0 percent. The weakness in personal income tax collections reflects a sharp slowdown in withholding taxes, and estimated taxes slowed sharply as well when the important January payments are considered.
- States expect fiscal years 2016 and 2017 to be much weaker than fiscal year 2015. The median forecast of income tax growth in the thirty-six states for which we were able to gather recent forecasts is 4.6 percent for 2016 and 4.4 percent for 2017, compared to 7.8 percent actual growth reported for 2015. The median forecast of sales tax growth in the thirty-eight states for which we have data is 3.5 percent for 2016 and 3.9 percent for 2017, down from actual 2015 growth of 4.5 percent.

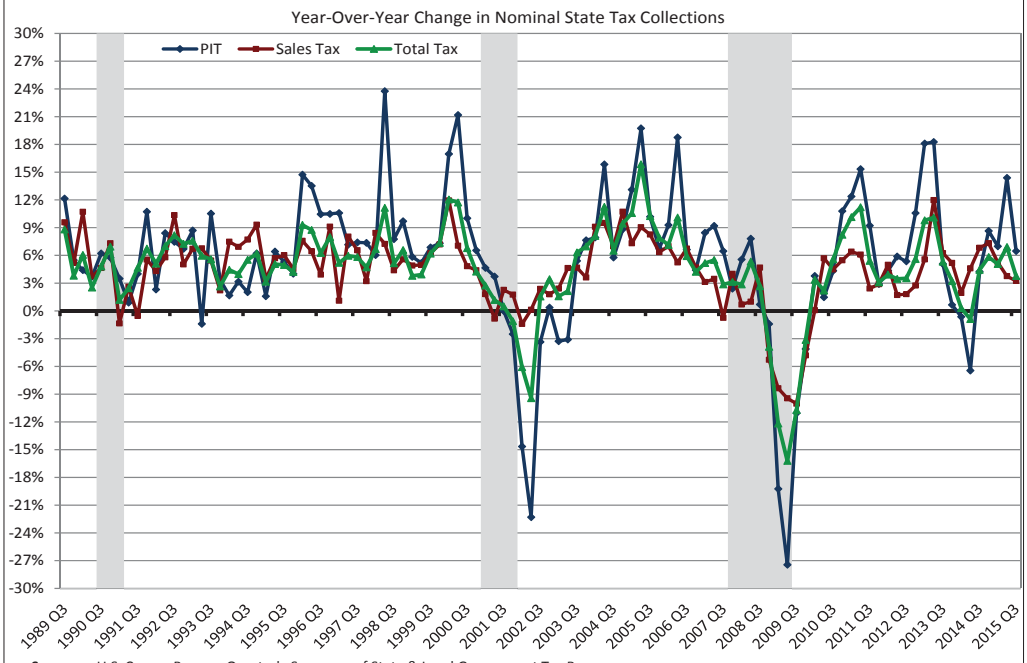
Total State Taxes and Local Taxes

Growth in total state tax collections has fluctuated in the last two years. Total state tax collections were weak in the first half of calendar year 2014, but resumed growth since then. We believe the large fluctuations in state tax collections have been mostly attributable to taxpayers' responses to real and anticipated policy changes at the federal level as discussed in previous *State Revenue Reports*. The impact of these responses was largely completed by the second quarter of 2015. However, recent fluctuations in the stock market and the significant drop in oil prices cause us concern about state tax collections. Early figures for the fourth quarter of 2015 indicate softening in overall state tax collections as well as in major tax sources.

The Institute's analysis of data indicates slightly stronger tax collections for states than the preliminary data released in December 2015 by the Census Bureau. We have adjusted Census figures to reflect data we have since obtained and to reflect differences in how we measure revenue for purposes of the *State Revenue Report*. These adjustments can affect quite a few states and, in some cases, can be substantial. (For a list of states affected and detailed discussion of adjustment, see "Adjustments to Census Bureau Tax Collection Data" on page 26.[1]) We also have adjusted for local government property taxes that were overestimated by about $21 billion in the second quarter, and that will be revised downward.[2]

Figure 1 shows the nominal percent change in state tax collections for personal income tax, sales tax, and total taxes. Declines in personal income tax, sales tax, and total state tax collections were steeper during and after the Great Recession (which began in December 2007) than in periods surrounding the previous two recessions. The graph also shows rapid income tax growth in the last quarter of 2012 and first half of 2013. Much of that strong growth appears to have been attributable to the behavioral responses of the highest income taxpayers. Many high income taxpayers sought to avoid scheduled increases in federal income tax rates for 2013 and "accelerated"

Figure 1: Slower Growth in State Tax Collections



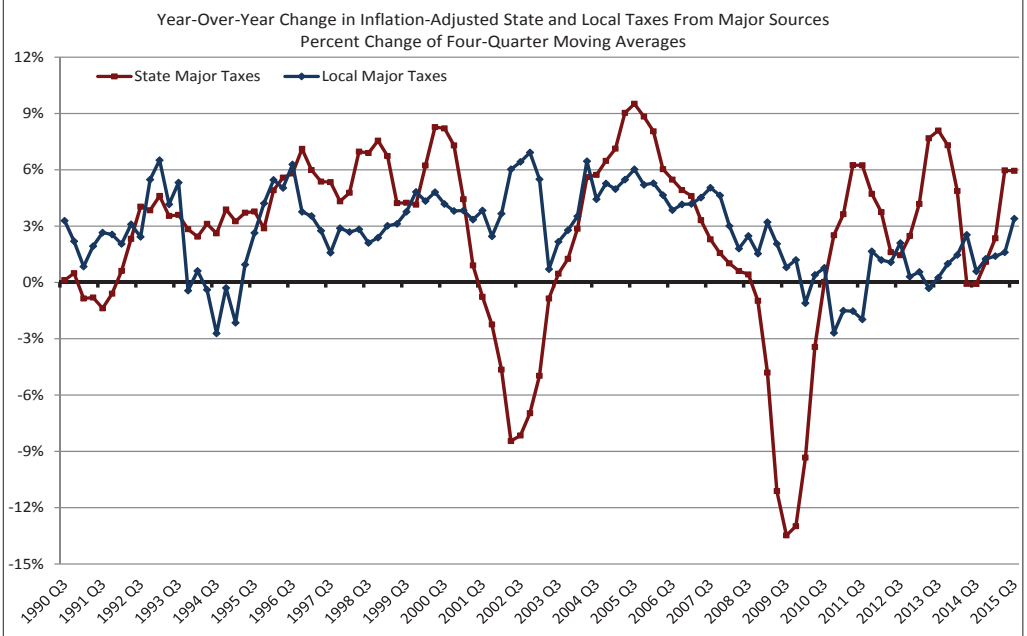
Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue.
Notes: Data for the most recent quarter reflect adjustments by the Rockefeller Institute to include information released after initial publication.

capital gains realizations and some other income in 2012, boosting taxes paid on that income in late 2012 and early 2013, and creating a trough afterward.[3]

Growth in total state tax collections and personal income tax collections weakened significantly in the second half of 2013 and the first half of 2014. Moreover, personal income tax collections declined in the first half of 2014. Tax collections resumed growth in the second half of 2014 and continued in the first half of 2015. However, growth has ticked downward again in the third quarter of 2015. Sales tax revenue growth has been relatively stable in the last two years, but softened significantly in the second and third quarters of 2015.

Total state tax collections in the third quarter of 2015 were above the previous peak levels in most states, in nominal terms. Adjusted for inflation, nationwide tax receipts were 6.3 percent higher in the third quarter of 2015 than in the same quarter of 2008, the third full quarter of the Great Recession. Inflation-adjusted personal income tax collections were 12.7 percent higher, while sales tax receipts were only 4.0 percent higher.

Figure 2: Continued Growth in Major State and Local Taxes



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) Percentage change of four-quarter moving averages; (2) Data are for four major tax categories only: general sales tax, personal income tax, corporate income tax, and property tax. (3) No adjustments for legislative changes.

Figure 2 shows the year-over-year percentage change in the four-quarter moving average of inflation-adjusted state tax and

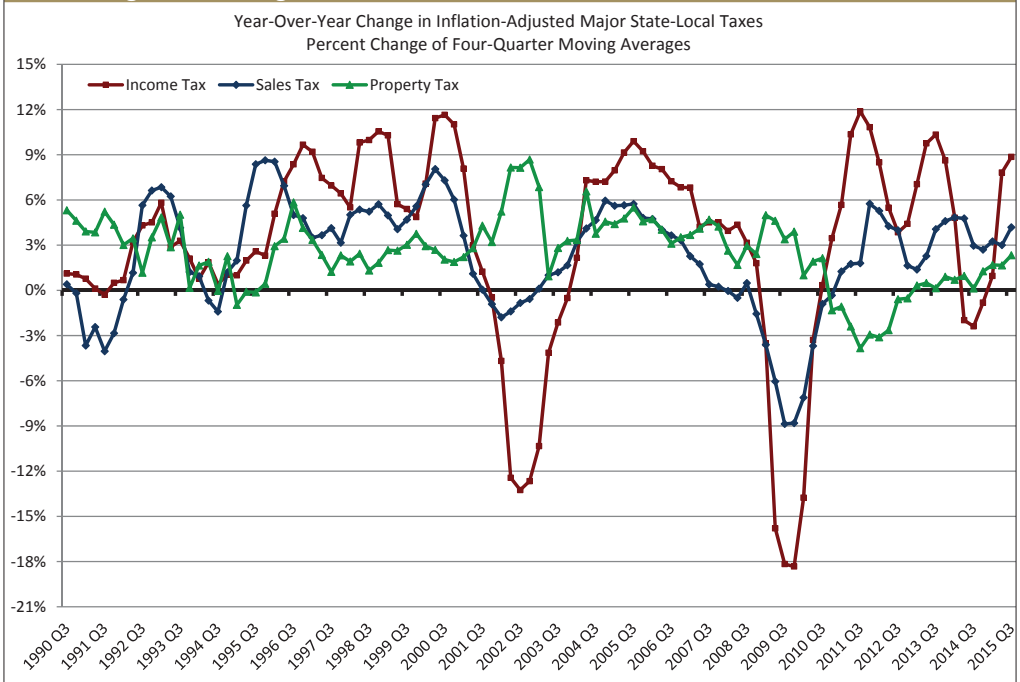
local tax collections from major sources: personal income, corporate income, sales, and property taxes. As shown in Figure 2, state taxes from major sources fluctuated greatly over the last two years. The strong growth in 2013, subsequent softening and declines in 2014, and resumed growth in 2015 appear to be attributable to the impact of the federal fiscal cliff and volatility in the stock market. State major taxes, adjusted for inflation, grew 5.9 percent in the last four quarters relative to the year-earlier period.

The four-quarter moving average of inflation-adjusted local taxes grew 3.4 percent in the third quarter of 2015. Inflation for the same time period, as measured by the gross domestic product (GDP) price index, was 1.1 percent.

Local tax collections from major sources have been relatively weak by historical standards over the last five years due in part to the lagged impact of falling housing prices on property tax collections. The 3.4 percent growth in local major tax collections for the four quarters ending in September 2015 is the strongest growth reported since the start of the Great Recession.

Most local governments rely heavily on property taxes, which are relatively stable and respond to property value declines slowly. By contrast, the income, sales, and corporate taxes that states rely heavily on respond rapidly to economic declines. Over the last two decades, property taxes have consistently made up at least two-thirds of total local tax collections. Local property tax revenues grew by 4.1 percent in nominal terms in the third quarter of 2015 compared to the same quarter of 2014. Local sales tax collections, the second largest contributor to overall local tax revenues, grew by 17.2 percent in the third quarter of 2015 in nominal terms. Collections from local individual income taxes, a much smaller contributor to overall local revenues, grew by 27.4 percent and collections from corporate income taxes declined by 0.7 percent.

Figure 3: Strong Growth in Personal Income Taxes in the Third Quarter



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (GDP).
Notes: (1) Percentage change of four-quarter moving averages; (2) No adjustments for legislative changes.

Figure 3 shows the year-over-year percent change in the four-quarter moving average of inflation-adjusted state and local income, sales, and property taxes. Both the income tax and the sales tax showed slower growth, and then outright decline,

from 2006 through most of 2009. By this measure, which reflects the prior three quarters as well as the current quarter, the income tax grew by 8.9 percent in the third quarter of 2015. State-local sales tax collections grew by 4.2 percent in the third quarter of 2015. The four-quarter moving average of inflation-adjusted state-local property taxes grew by 2.3 percent, marking the eleventh consecutive quarter of growth.

State Tax Revenue

Total state tax revenue grew by 3.8 percent in the third quarter of 2015 relative to a year ago, before adjustments for inflation and legislated changes (such as changes in tax rates). Growth was reported in all major sources of state tax revenues as well. The individual income and corporate income tax collections grew by 6.5 and 1.0 percent, respectively, while the sales tax and motor fuel tax collections grew by 3.2 and 5.3 percent, respectively. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Thirty-eight states reported growth in total tax revenue during the third quarter of 2015, with seven states reporting double digit growth (see Tables 8 and 9 on pages 21-22). All regions but the Southwest and the Plains reported growth in overall state tax collections. The Mid-Atlantic region showed the strongest growth at 8.3 percent and the Southwest and Plains regions reported declines of 4.2 and 0.1 percent, respectively, in the third quarter of 2015.

Twelve states reported declines in overall state tax collections in the third quarter of 2015. Seven of those twelve states reporting declines are oil- and mineral-dependent states. Those seven states are: Alaska, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, and West Virginia. The oil- and mineral-dependent states have very high reliance on severance taxes.[4] The steep oil price declines led to declines in severance tax collections as well in overall state tax collections in these states. The largest declines were reported in North Dakota and Alaska at 31.8 and 17.1 percent, respectively.

Preliminary figures collected by the Rockefeller Institute for the October-December quarter of 2015 show weakening growth for overall tax collections as well as personal income and sales tax collections.[5] Total tax collections in forty-six early reporting states grew by 2.6 percent, while individual income and sales tax collections grew by 4.8 and 2.0 percent, respectively. Early figures for the fourth quarter of 2015 show declines in corporate income tax collections at 0.3 percent.

Personal Income Tax

In the third quarter of 2015, personal income tax revenue made up at least a third of total tax revenue in twenty-eight states, and was larger than the sales tax in twenty-six states. Personal income tax revenues grew by 6.5 percent in the third quarter of 2015 compared to the same period in 2014.

Table 1: Quarterly State Tax Revenue
Year-Over-Year Percent Change

Quarter	Total Nominal Change	Inflation Rate	Adjusted Real Change
2015 Q3	3.8	0.9	2.8
2015 Q2	6.9	1.0	5.9
2015 Q1	5.1	1.0	4.0
2014 Q4	5.8	1.3	4.4
2014 Q3	4.4	1.8	2.6
2014 Q2	(0.9)	1.9	(2.7)
2014 Q1	0.3	1.6	(1.3)
2013 Q4	3.2	1.6	1.6
2013 Q3	5.3	1.5	3.7
2013 Q2	10.1	1.6	8.3
2013 Q1	9.8	1.8	7.9
2012 Q4	5.6	1.9	3.6
2012 Q3	3.5	1.7	1.8
2012 Q2	3.5	1.7	1.7
2012 Q1	3.9	2.0	1.9
2011 Q4	3.1	1.9	1.1
2011 Q3	5.4	2.3	3.0
2011 Q2	11.2	2.2	8.8
2011 Q1	10.1	1.9	8.1
2010 Q4	8.2	1.8	6.3
2010 Q3	5.6	1.6	3.9
2010 Q2	2.2	1.1	1.1
2010 Q1	3.4	0.5	2.9
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(10.7)	0.3	(11.0)
2009 Q2	(16.2)	1.0	(17.0)
2009 Q1	(12.2)	1.6	(13.5)
2008 Q4	(3.9)	1.9	(5.7)
2008 Q3	2.7	2.1	0.5
2008 Q2	5.3	1.8	3.5
2008 Q1	2.9	1.9	0.9
2007 Q4	3.1	2.5	0.6
2007 Q3	2.9	2.4	0.5
2007 Q2	5.5	2.8	2.7
2007 Q1	5.2	3.0	2.1
2006 Q4	4.2	2.7	1.5
2006 Q3	5.9	3.1	2.7
2006 Q2	10.1	3.3	6.6
2006 Q1	7.1	3.2	3.8
2005 Q4	7.9	3.4	4.4
2005 Q3	10.2	3.3	6.7
2005 Q2	15.9	3.0	12.4
2005 Q1	10.6	3.2	7.2
2004 Q4	9.4	3.1	6.2
2004 Q3	6.5	2.9	3.5
2004 Q2	11.2	2.8	8.3
2004 Q1	8.1	2.2	5.7
2003 Q4	7.0	2.0	4.9
2003 Q3	6.3	2.0	4.2
2003 Q2	2.1	1.9	0.2
2003 Q1	1.6	2.0	(0.4)
2002 Q4	3.4	1.7	1.7
2002 Q3	1.6	1.5	0.1
2002 Q2	(9.4)	1.4	(10.6)
2002 Q1	(6.1)	1.6	(7.6)
2001 Q4	(1.1)	2.0	(3.0)
2001 Q3	0.5	2.2	(1.7)
2001 Q2	1.2	2.5	(1.3)
2001 Q1	2.7	2.4	0.3

Sources: U.S. Census Bureau & Bureau of Economic Analysis.

Table 2: Quarterly State Tax Revenue By Major Tax
Year-Over-Year Percent Change

Quarter	PIT	CIT	General Sales	Motor Fuel	Total
2015 Q3	6.5	1.0	3.2	5.3	3.8
2015 Q2	14.4	5.3	3.8	3.0	6.9
2015 Q1	7.0	3.4	5.2	4.5	5.1
2014 Q4	8.6	9.7	7.3	2.4	5.8
2014 Q3	4.2	7.7	6.8	0.6	4.4
2014 Q2	(6.5)	(1.4)	4.6	4.0	(0.9)
2014 Q1	(0.6)	8.3	1.9	2.8	0.3
2013 Q4	0.7	2.8	5.2	3.5	3.2
2013 Q3	5.1	1.4	6.3	2.9	5.3
2013 Q2	18.3	10.5	12.0	2.1	10.1
2013 Q1	18.1	9.4	5.6	(1.4)	9.8
2012 Q4	10.6	3.0	2.7	1.3	5.6
2012 Q3	5.4	8.4	1.8	2.1	3.5
2012 Q2	5.9	(3.1)	1.7	1.7	3.5
2012 Q1	4.3	4.0	5.0	1.0	3.9
2011 Q4	2.9	(3.3)	2.9	0.7	3.1
2011 Q3	9.2	0.9	2.4	(0.2)	5.4
2011 Q2	15.3	18.2	6.1	7.4	11.2
2011 Q1	12.4	3.7	6.4	13.3	10.1
2010 Q4	10.8	12.1	5.5	11.8	8.2
2010 Q3	4.3	1.4	4.5	10.7	5.6
2010 Q2	1.5	(18.9)	5.7	4.1	2.2
2010 Q1	3.8	0.3	0.1	(0.1)	3.4
2009 Q4	(4.1)	0.7	(4.8)	(1.5)	(3.1)
2009 Q3	(11.1)	(21.4)	(10.0)	2.3	(10.7)
2009 Q2	(27.4)	3.0	(9.4)	(1.5)	(16.2)
2009 Q1	(19.2)	(20.2)	(8.4)	(3.6)	(12.2)
2008 Q4	(1.4)	(23.0)	(5.3)	(5.0)	(3.9)
2008 Q3	0.7	(13.2)	4.7	(5.0)	2.7
2008 Q2	7.8	(7.0)	1.0	(3.1)	5.3
2008 Q1	5.6	(1.4)	0.7	1.1	2.9
2007 Q4	2.4	(14.5)	4.0	1.8	3.1
2007 Q3	6.5	(4.3)	(0.7)	1.9	2.9
2007 Q2	9.2	1.7	3.5	0.2	5.5
2007 Q1	8.5	14.8	3.1	0.0	5.2
2006 Q4	4.4	12.6	4.7	6.4	4.2
2006 Q3	6.6	17.5	6.7	0.6	5.9
2006 Q2	18.8	1.2	5.2	5.3	10.1
2006 Q1	9.3	9.6	7.0	3.5	7.1
2005 Q4	6.7	33.4	6.4	(0.5)	7.9
2005 Q3	10.2	24.4	8.3	11.4	10.2
2005 Q2	19.7	64.1	9.1	5.3	15.9
2005 Q1	13.1	29.8	7.3	6.3	10.6
2004 Q4	8.8	23.9	10.7	5.2	9.4
2004 Q3	5.8	25.2	7.0	(0.4)	6.5
2004 Q2	15.8	3.9	9.5	7.1	11.2
2004 Q1	7.9	5.4	9.1	6.0	8.1
2003 Q4	7.6	12.5	3.6	3.8	7.0
2003 Q3	5.4	12.6	4.7	1.1	6.3
2003 Q2	(3.1)	5.1	4.6	(0.5)	2.1
2003 Q1	(3.3)	8.3	2.4	(0.0)	1.6
2002 Q4	0.4	34.7	1.8	2.6	3.4
2002 Q3	(3.4)	7.4	2.4	3.9	1.6
2002 Q2	(22.3)	(12.3)	0.1	3.0	(9.4)
2002 Q1	(14.7)	(15.7)	(1.4)	0.9	(6.1)
2001 Q4	(2.5)	(34.0)	1.8	1.5	(1.1)
2001 Q3	(0.0)	(27.2)	2.3	6.5	0.5
2001 Q2	3.7	(11.0)	(0.8)	6.6	1.2
2001 Q1	4.6	(8.4)	1.8	4.9	2.7

Source: U.S. Census Bureau (tax revenue).

Personal income tax collections were 24.5 percent higher than in the third quarter of 2008, the recessionary peak for third quarter income tax revenue. Inflation-adjusted personal income tax collections were 12.7 percent above the third quarter of 2008.

Third quarter personal income tax collections weakened from second-quarter growth that had been atypically high: April income tax returns were up 20 percent in that quarter, likely reflecting the strong stock market of 2014 and taxpayer response to federal tax rate changes. All regions but the Great Lakes reported growth in personal income tax collections in the third quarter of 2015, with the Mid-Atlantic and Far West regions showing the strongest growth at 10.4 and 9.4 percent, respectively. The Great Lakes region had declines in personal income tax collections of 0.5 percent.

Overall, thirty-four states reported growth in personal income tax collections for the quarter with eight states reporting double-digit growth. Nine states reported declines in personal income tax collections with North Dakota and Illinois reporting the largest declines at 19.0 and 16.9 percent, respectively. The declines in North Dakota are partially attributable to the cuts in income tax rates and the declines in Illinois are partially due to the expiration of temporary income tax increases that were adopted in 2011. The tax rate sunset in Illinois means that the income tax rate went from 5.0 percent to 3.75 percent as of January 1, 2015.

We can get a clearer picture of collections from the personal income tax by breaking this source down into four major components for which we have data: withholding, quarterly estimated payments, final payments, and refunds. The Census Bureau, the source of much of the data in this report, does not collect data on individual components of personal income tax collections. The data presented here were collected by the Rockefeller Institute. In this report we provide detailed income tax data for the third quarter of 2015 as well as preliminary data for the fourth quarter of 2015. Table 3 shows growth for each major component. Both

Table 3: Growth in Personal Income Tax Components

PIT Component:	2015 Q2 Growth vs. year ago	2015 Q3 Growth vs. year ago	2015 Q4 Growth vs. year ago	Comments
Withholding	5.0%	5.0%	2.0%	Largest PIT component; generally reflects current economy
Estimated payments	18.3%	9.0%	12.7%	April payment heavily influenced by the 2014 stock market. The fourth estimated payment received in December-January was up 4.8%.
Final returns	19.9%	9.7%	21.2%	Second quarter is the largest collections quarter and was heavily influenced by 2014 stock market. Final returns in the fourth quarter represented only 6% of total income tax collections.
Refunds	-1.0%	0.3%	-0.5%	A positive number means that refunds increased (became more negative); negative means refunds decreased
PIT total	**14.1%**	**6.1%**	**4.5%**	

Table 4: Personal Income Tax Withholding, by State
Last Four Quarters, Percent Change

	2015			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
United States	**2.1**	**5.0**	**5.0**	**2.0**
New England	**3.9**	**5.0**	**4.6**	**3.4**
Connecticut	3.0	2.3	3.2	5.4
Maine	3.7	5.5	4.9	9.3
Massachusetts	5.1	6.3	5.1	2.0
Rhode Island	2.9	5.2	3.9	(1.0)
Vermont	(7.1)	3.9	7.9	5.3
Mid-Atlantic	**1.3**	**5.5**	**8.0**	**1.1**
Delaware	(4.4)	5.3	7.5	4.4
Maryland	4.1	3.6	4.9	5.6
New Jersey	(2.0)	6.6	13.3	(5.2)
New York	1.8	6.5	7.2	2.3
Pennsylvania	(0.1)	3.7	8.3	(2.1)
Great Lakes	**(3.7)**	**(4.8)**	**(2.0)**	**(4.5)**
Illinois	(15.2)	(21.0)	(16.0)	(19.7)
Indiana	4.0	3.9	4.2	2.1
Michigan	3.3	4.3	9.1	6.0
Ohio	3.8	1.7	2.5	2.2
Wisconsin	(2.4)	1.3	5.2	3.2
Plains	**6.4**	**5.5**	**2.3**	**3.2**
Iowa	6.2	4.8	4.8	3.0
Kansas	1.8	(0.3)	(0.6)	(0.1)
Minnesota	6.2	7.8	0.1	5.1
Missouri	7.4	6.1	4.9	4.5
Nebraska	6.7	5.1	6.7	0.0
North Dakota	26.6	(5.4)	(11.6)	(16.2)
Southeast	**2.9**	**5.4**	**5.2**	**1.7**
Alabama	5.3	4.6	2.3	3.6
Arkansas	4.5	(5.1)	(7.7)	(6.0)
Georgia	3.7	5.5	8.0	3.6
Kentucky	3.7	7.3	5.3	2.6
Louisiana	8.9	3.4	2.5	1.5
Mississippi	1.3	3.0	0.9	2.3
North Carolina	(0.8)	7.6	10.3	1.8
South Carolina	2.7	4.8	5.5	3.6
Virginia	2.6	6.8	4.4	0.3
West Virginia	4.5	6.1	(1.6)	(0.8)
Southwest	**0.3**	**5.0**	**3.1**	**(0.3)**
Arizona	3.2	4.6	3.5	2.0
New Mexico	(14.8)	14.3	11.3	ND
Oklahoma	3.1	1.9	(0.6)	(3.3)
Rocky Mountain	**6.6**	**7.1**	**7.1**	**5.1**
Colorado	7.0	6.6	7.0	4.7
Idaho	7.4	7.3	5.9	2.4
Montana	6.3	4.8	4.9	0.1
Utah	5.3	8.8	8.5	8.7
Far West	**4.2**	**11.7**	**8.1**	**6.9**
California	3.7	12.6	8.0	6.8
Hawaii	2.4	8.5	6.2	ND
Oregon	9.2	6.0	9.4	7.9

Source: Individual state data, analysis by the Rockefeller Institute.
Notes: Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no broad-based personal income tax and are not shown in this table.
ND = No Data.

withholding and estimated payments have softened significantly in the most recent period.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is much less volatile than estimated payments or final settlements. Table 4 shows that withholding for the July-September 2015 quarter increased by 5.0 percent. Preliminary data for the October-December 2015 quarter show weakening in withholding at 2.0 percent for the thirty-nine states for which we have data, out of forty-one states with broad-based personal income taxes. The growth in withholding throughout calendar year 2015 averaged 3.5 percent.

Thirty-five states reported growth in withholding for the third quarter of 2015 and six states reported declines: Arkansas, Kansas, Illinois, North Dakota, Oklahoma, and West Virginia. The largest decline was in Illinois at 16 percent, mostly driven by the expiration of the temporary personal income tax increase. Among thirty-nine early reporting states, thirty states reported growth in the fourth quarter of 2015 and nine states reported declines.

All regions but the Great Lakes showed growth in withholding in the third quarter of 2015. The Far West had the greatest growth at 8.1 percent in the third quarter, while the Plains region had the weakest growth at 2.3 percent. The rapid growth in the Far West region is mostly attributable to the strong growth in withholding in California, while the decline in the Great Lakes region is solely attributable to declines in withholding in Illinois. During the fourth quarter of 2015 the Far West region had the greatest growth at 6.9 percent, while the Mid-Atlantic region had the weakest growth at 1.1 percent.

Estimated Payments

The highest-income taxpayers generally make estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, such as capital gains realized in

Table 5: Estimated Payments/Declarations, by State
Year-Over-Year Percent Change

State	April-January (all 4 payments of 2014)	Dec.-Jan. (4th payment of 2014)	April-January (all 4 payments of 2015)	Dec.-Jan. (4th payment of 2015)
Average (Mean)	**6.3**	**17.0**	**11.4**	**4.8**
Median	**4.9**	**13.7**	**8.6**	**2.6**
Alabama	0.4	5.2	13.7	23.3
Arizona	8.6	13.9	24.5	32.4
Arkansas	2.0	8.6	5.3	2.6
California	20.4	26.4	12.9	8.2
Colorado	1.7	34.6	18.8	13.2
Connecticut	5.2	4.8	(1.4)	(9.5)
Delaware	10.1	14.3	15.0	11.5
Georgia	16.6	31.5	10.3	4.7
Hawaii	(2.0)	35.5	ND	ND
Illinois	0.4	2.0	(0.3)	(18.8)
Indiana	12.2	15.7	22.9	32.6
Iowa	(7.8)	(0.0)	8.6	0.2
Kansas	(31.4)	2.8	4.0	(20.6)
Kentucky	(1.6)	14.7	22.2	24.4
Louisiana	(3.0)	(4.6)	(5.8)	(13.3)
Maine	4.3	22.8	17.9	7.2
Maryland	12.1	13.5	3.8	4.0
Massachusetts	12.7	19.7	4.8	(0.9)
Michigan	4.7	14.6	15.9	9.8
Minnesota	6.1	12.7	12.7	6.4
Mississippi	1.2	26.0	3.9	(4.0)
Missouri	6.6	14.0	12.9	8.3
Montana	7.8	6.4	9.9	(7.5)
Nebraska	4.2	20.2	3.1	(5.9)
New Jersey	5.5	7.6	10.1	4.8
New York	(6.3)	12.1	17.3	7.5
North Carolina	7.8	11.3	12.2	10.0
North Dakota	(37.9)	(14.2)	(8.3)	(32.7)
Ohio	(20.2)	(5.4)	(1.2)	(7.5)
Oklahoma	2.0	11.0	(3.0)	(18.3)
Oregon	19.3	27.8	(1.5)	(31.1)
Pennsylvania	4.1	8.9	16.0	20.4
Rhode Island	14.6	36.8	2.5	(5.0)
South Carolina	5.1	18.1	4.1	(2.0)
Vermont	7.0	9.7	7.1	(2.9)
Virginia	14.4	30.8	7.5	(0.7)
West Virginia	13.1	22.8	2.4	(6.5)
Wisconsin	(8.4)	4.9	9.6	9.5

Source: Individual state data, analysis by the Rockefeller Institute.
Note: ND = No Data.

the stock market. Estimated payments normally represent a small proportion of overall income-tax revenues but can have a large impact on the direction of overall collections. In the third and fourth quarters of 2015, estimated payments accounted for roughly 17 and 16 percent of total personal income tax revenues, respectively.

The first payment for each tax year is due in April in most states and the second, third, and fourth are generally due in June, September, and January (although many high-income taxpayers make this last state income tax payment in December, so that it is deductible on the federal tax return for that year, rather than the next). In some states the first estimated payment includes payments with extension requests for income tax returns on the prior year, and thus is related partly to income in that prior year. Subsequent payments generally are related to income for the current year, although often that relationship is quite loose.

In the thirty-seven states for which we have complete data for the fourth payment (attributable to the 2015 tax year), the median payment was up by 2.6 percent compared to the previous year (see Table 5). For all four payments combined, the median payment was up by 8.6 percent, higher than the median growth of 4.9 percent reported for all four payments of last year. The estimated payments were particularly strong for the first payment filed in April 2015, indicating a 21.6 percent growth. A potentially large part of the first estimated payment actually was for estimated payments with extensions for the 2014 tax year and probably is a major reason for the strong growth. In other words, this growth was driven by the stock market and the economy of the prior year, not by the current economy. The growth in estimated payments softened in the second, third, and fourth payments.

The rather strong growth in the four payments of this year taken together reflects double-digit growth in the first and second payments, partly offset by a sharp slowdown in the most recent payment. (See "The Stock Market and the Income Tax" below.)

Final Payments

Final payments normally represent a smaller share of total personal income tax revenues in the first, third, and fourth quarters of the tax year, and a much larger share in the second quarter of the tax year due to the April 15th income tax return deadline. In the third and fourth quarters of 2015, final payments accounted for roughly 3 and 6 percent of all personal income tax revenues, respectively. Final payments with personal income tax returns grew by 9.7 and 21.2 percent, respectively, in the third and fourth quarters of 2015 compared to the same quarters of 2014.

Refunds

Personal income tax refunds paid by thirty-nine states grew by 0.3 percent in the third quarter of 2015 compared to the same quarter of 2014. Preliminary data from thirty-seven states show a decline of 0.5 percent in the fourth quarter of 2015. In total, states paid out about $10 million more in refunds in the third quarter of 2015 compared to the same quarter in 2014 and paid out about $31 million less in the fourth quarter of 2015. Overall, fifteen states paid out less refunds in the third quarter of 2015 compared to the same quarter of 2014. According to preliminary data, sixteen states paid out less refunds in the fourth quarter of 2015 compared to the same quarter of 2014.

The Stock Market and the Income Tax

The stock market in 2015 was relatively weak, gaining only 6.7 percent as measured by the calendar-year average of the S&P 500 Index.[6] This was the weakest growth since 2010. Furthermore, the stock market declined significantly in the first and second months of 2016. Stock market weakness can cause weakness or declines in income related to financial markets, particularly capital gains. If the stock market continues to decline, that may lead to further weakening and, potentially, declines in personal income tax revenue collections, particularly for the states that have high reliance on capital gains. As always, this is a source of great uncertainty in state budgets.

The 2015 weakening, to the extent it affects income tax revenue, should have its greatest effect on estimated payments and on final returns. As noted above, estimated payments were relatively strong through September, up 11.9 percent in the median state, but the December/January median slowed sharply to 2.6 percent based on our preliminary information. These payments tend to be quite "noisy" and it is early to conclude that capital gains in 2015 were down. If they were, or were substantially weaker than states expect, that could lead to negative surprises in some states when returns are filed in the April-June quarter.

If the stock market declines of early 2016 continue or are not reversed, it could lead to further weakening of the income tax. This likely will have its largest effects on estimated payments made throughout the year ahead, and on final returns for 2016 filed in the April-June quarter of 2017.

General Sales Tax

State sales tax collections in the July-September quarter grew 3.2 percent from the same period in 2014, which is weaker than the growth reported for the previous five quarters. Sales tax collections have been growing for twenty-three straight quarters now with an average quarterly growth of 4.6 percent. Sales tax collections were above the recessionary peak for the quarter in nominal terms, ending 14.9 percent higher than in the third quarter of 2008. Inflation-adjusted figures indicate that sales tax were only 4.0 percent above the recessionary peak reported in the third quarter of 2008. Overall, the average growth rate in sales tax collections is low by historical standards. Many consumers are more cautious in their discretionary spending in the post Great Recession period and have had little wage growth to support spending growth.

The weakness in sales tax collections is at least partially attributable to tax dollars lost in online retail sales. According to one set of projections, states lost an estimated $52 billion from 2007 to 2012 due to the difficulty in collecting sales tax owed on e-commerce sales.[7] The online sales tax loophole has been an ongoing debate in the states and some states adopted several measures such as enactment of nexus or "Amazon" laws to address the issue. However, state efforts alone have had limited effectiveness and Congressional action may be needed to fully stem revenue losses.

All regions but the Southwest reported growth in sales tax collections in the third quarter of 2015 compared to the same quarter in 2014. The New England region reported the greatest increase at 10.2 percent, while the Southeast reported the softest growth at 1.9 percent. Sales tax collections declined by 0.5 percent in the Southwest.

Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits and in the timing of tax payments. Many states collect little revenue from corporate taxes, and can experience large fluctuations in percentage terms with little budgetary impact. There is often significant variation in states' gains or losses for this tax.

Corporate income tax revenue grew 1.0 percent in the third quarter of 2015 compared to a year earlier. Three regions — Far West, Southeast, and Plains — reported declines. The Mid-Atlantic states reported the largest growth in corporate income tax collections at 19.0 percent in the third quarter of 2015, while the Rocky Mountain reported the softest growth at 0.4 percent. Among forty-six states that have a corporate income tax, twenty-five states reported growth, while twenty-one states reported declines for the third quarter of 2015 compared to the same quarter of the previous year.

Table 6: Real Percent Change in State Taxes Other Than PIT, CIT, General Sales, and Motor Fuel Sales Taxes

Year-Over-Year Real Percent Change; Four-Quarter Moving Averages

	Property tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators license taxes	Other taxes
Nominal collections (mlns), last 12 months	$14,568	$17,667	$6,313	$26,741	$131,149
2015 Q3	1.4	(0.9)	1.1	0.8	(1.2)
2015 Q2	0.9	(2.0)	1.9	0.6	(0.9)
2015 Q1	1.5	(3.8)	0.6	1.1	(0.1)
2014 Q4	0.9	(4.5)	1.7	(0.5)	(1.8)
2014 Q3	3.4	(3.5)	1.6	0.9	(0.8)
2014 Q2	5.4	0.7	0.1	1.3	(0.2)
2014 Q1	5.3	2.0	1.5	1.0	(2.5)
2013 Q4	5.0	3.8	(0.6)	0.5	0.8
2013 Q3	3.4	3.7	(2.3)	(0.4)	0.8
2013 Q2	(0.2)	(0.9)	(1.8)	(0.8)	0.7
2013 Q1	(3.2)	(1.5)	(0.0)	0.3	4.2
2012 Q3	(4.8)	(2.5)	2.3	2.1	2.5
2012 Q3	(9.2)	(3.3)	3.5	3.1	3.5
2012 Q2	(10.5)	(2.2)	3.1	3.1	4.8
2012 Q1	(10.7)	(2.5)	0.7	2.1	7.7
2011 Q4	(11.0)	(1.8)	(0.5)	1.8	12.0
2011 Q3	(7.6)	(1.0)	0.5	0.3	12.3
2011 Q2	(3.9)	0.7	1.5	1.5	12.3
2011 Q1	2.4	2.7	3.1	3.3	9.4
2010 Q4	8.1	3.1	3.2	4.0	7.4
2010 Q3	13.3	2.2	3.0	5.6	4.4
2010 Q2	13.4	0.6	2.2	3.9	(2.1)
2010 Q1	9.9	(1.1)	0.8	1.5	(9.0)
2009 Q4	6.1	(1.5)	0.6	0.2	(13.5)
2009 Q3	(0.5)	0.4	0.1	(1.2)	(13.2)
2009 Q2	(2.0)	1.3	(0.1)	(0.9)	(6.7)
2009 Q1	(3.7)	2.6	0.4	(0.4)	3.9
2008 Q4	(2.8)	3.1	0.5	(1.1)	7.5
2008 Q3	1.8	3.5	(0.1)	(0.5)	9.9
2008 Q2	3.4	5.9	0.6	(0.3)	7.8
2008 Q1	4.1	6.2	0.6	(1.0)	3.4
2007 Q4	3.6	6.2	0.6	(0.4)	2.4
2007 Q3	1.6	4.0	1.7	(0.8)	(0.3)
2007 Q2	(0.1)	0.6	1.5	(0.8)	(1.2)
2007 Q1	1.8	1.7	0.7	0.6	(0.9)
2006 Q4	0.3	2.8	1.2	1.1	(0.2)
2006 Q3	(0.2)	5.5	1.3	1.0	2.1
2006 Q2	(0.0)	9.1	1.3	0.8	4.3
2006 Q1	0.9	7.0	2.5	0.2	5.3
2005 Q4	2.0	5.5	1.7	0.4	7.2
2005 Q3	3.5	4.3	(0.1)	2.0	6.4
2005 Q2	3.6	2.2	(0.5)	2.8	5.0
2005 Q1	1.8	3.0	(2.3)	3.7	5.8
2004 Q4	(4.8)	3.6	(1.4)	5.6	6.1
2004 Q3	(2.3)	3.6	0.1	6.1	7.6
2004 Q2	3.6	4.9	0.5	6.7	9.0
2004 Q1	1.1	10.6	4.4	5.6	7.6
2003 Q4	8.7	17.2	4.1	4.0	5.7
2003 Q3	5.7	26.3	2.4	2.9	3.9
2003 Q2	(0.9)	35.9	3.2	2.8	2.7
2003 Q1	(4.9)	27.2	0.7	3.7	2.3
2002 Q4	(4.8)	17.3	0.0	2.9	2.1
2002 Q3	(6.7)	5.6	2.7	2.6	2.6
2002 Q2	(4.3)	(5.9)	(0.1)	0.6	3.4
2002 Q1	5.1	(5.0)	(0.2)	(1.2)	2.1

Source: U.S. Census Bureau.

Motor Fuel Sales Tax

Motor fuel sales tax collections in the third quarter of 2015 grew by 5.3 percent from the same period in 2014, which is significantly higher than growth rates in previous quarters. Motor fuel sales tax collections have fluctuated greatly in the post-Great Recession period. Economic growth, changing gas prices, general increases in the fuel-efficiency of vehicles, and changing driving habits of Americans all affect gasoline consumption and motor fuel taxes. Changes in state motor fuel rates also affect tax collections. Motor fuel sales tax collections declined during the Great Recession but have been growing for ten straight quarters, with an average quarterly growth of 3.1 percent.

All regions but the Far West reported growth in motor fuel sales tax collections in the third quarter of 2015 compared to the same quarter in 2014. The Mid-Atlantic region reported the largest increase at 11.5 percent, while the Rocky Mountain region reported the softest growth at 3.4 percent. The Far West region reported declines at 5.9 percent.

Ten states reported declines in motor fuel sales tax collections in the third quarter of 2015, with four reporting double-digit declines. Seventeen states reported double-digit growth.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes. In Table 6, we show four-quarter moving average real growth rates for the nation as a whole. In the third quarter of 2015, states collected $46.3 billion from smaller tax sources, which comprised 22 percent of total state government tax collections.

Revenues from smaller tax sources showed a mixed picture in the third quarter of 2015. State property taxes, a small revenue source for states, increased by 1.4 percent in real terms. Collections from tobacco product sales

showed declines at 0.9 percent, marking the fifth consecutive quarter declines. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses showed growth at 1.1 and 0.8 percent, respectively, in the third quarter of 2015. Revenues from all other smaller tax sources declined by 1.2 percent.

Underlying Reasons for Trends

State revenue changes result from three kinds of underlying forces: state-level changes in the economy (which often differ from national trends), the different ways in which economic changes affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

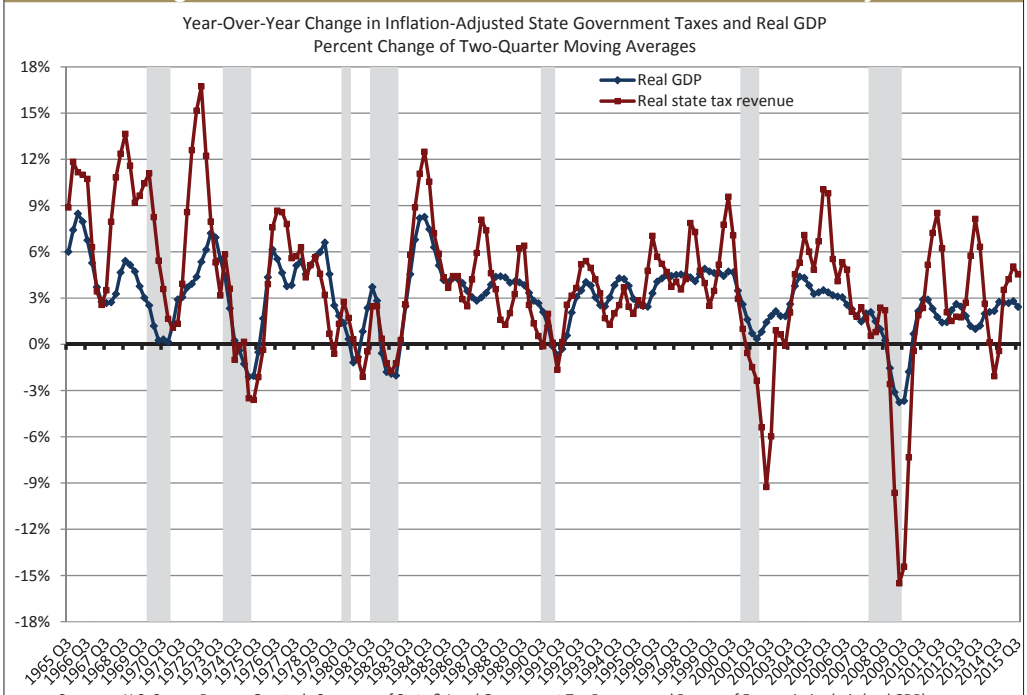
Economic Changes

Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income goes up, the sales tax generates more revenue when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly, and when it declines, tax revenue tends to decline. Figure 4 shows year-over-year growth for two-quarter moving averages in inflation-adjusted state tax revenue and in real GDP, to smooth short-term fluctuations and illustrate the interplay between the economy and state revenues.

Tax revenue is usually related to economic growth. As shown in Figure 4, real state tax revenue declined for two consecutive quarters in early 2014, but resumed growth since then. Real GDP showed uninterrupted growth since 2010 and grew by 2.4 percent in the third quarter of 2015.

Yet volatility in tax revenue is not fully explained by changes in real GDP, a broad measure of the economy. Throughout 2011, state tax revenue has risen significantly while the overall economy has been growing at a relatively slow pace in the wake of the Great Recession. Also, in 2009 and 2010, state revenue declines were often much larger than the quarterly reductions

Figure 4: State Tax Revenue Is More Volatile Than the Economy



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue and Bureau of Economic Analysis (real GDP).
Notes: (1) Percentage change of two-quarter moving averages; (2) No legislative adjustments; (3) Recession periods are shaded.

in real GDP. Thus, although the growth rate in state tax revenues was not far from the growth rate in the overall economy throughout 2012, state tax revenues have been more volatile than the general economy in prior years as well as in the most recent years.

State-by-state data on income and consumption are not available on a timely basis, and so we cannot easily see variation across the country in these trends. Instead, like other researchers, the Rockefeller Institute relies partly on employment data from the Bureau of Labor Statistics to examine state-by-state economic conditions. These data are relatively timely and are of high quality. Table 7 shows year-over-year employment growth over the last four quarters, including the fourth quarter of 2015. For the nation as a whole, employment grew by 1.8 percent in the fourth quarter of 2015 compared to the same period of 2014, which is weaker than growth rates in previous quarters of 2015. On a year-over-year basis, employment grew in forty-five states in the fourth quarter of 2015. Five states — Louisiana, North Dakota, Oklahoma, West Virginia, and Wyoming — reported declines. Among individual states, Idaho reported the largest growth at 4.0 percent, followed by Utah at 3.4 percent. North Dakota reported the largest declines at 3.0 percent, followed by West Virginia at 1.6 percent.

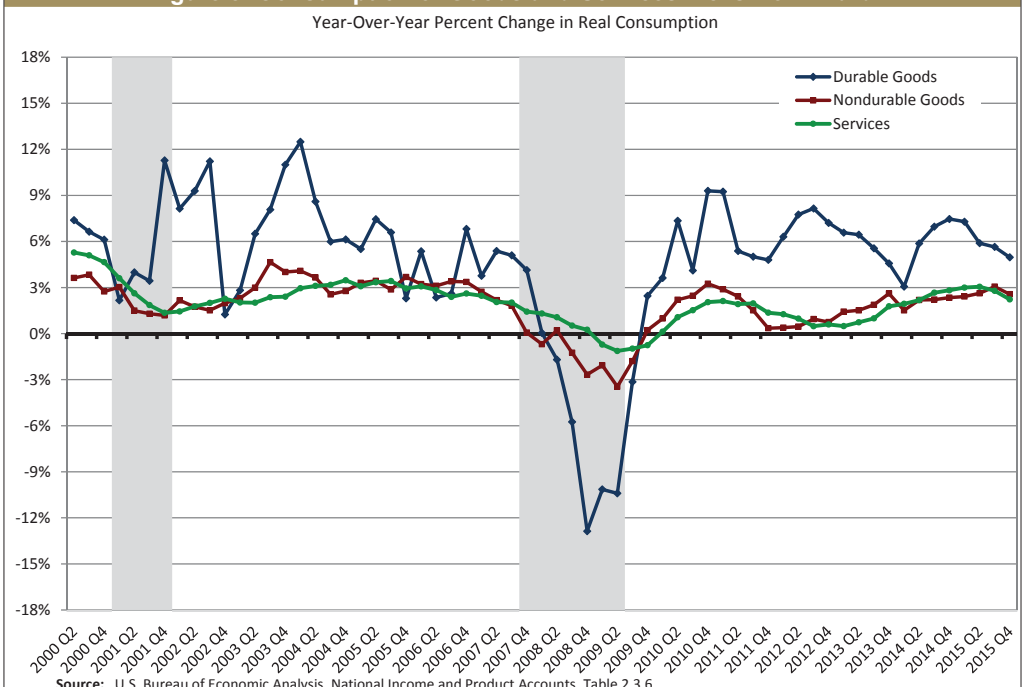
All regions had employment growth in the fourth quarter, but job gains are not evenly distributed among the regions. The Plains region had the weakest growth in employment compared to the year earlier, at 1.0 percent. The Far West and Rocky Mountain regions had the largest increases at 2.8 and 2.3 percent, respectively.

Economists at the Philadelphia Federal Reserve Bank developed broader and highly timely measures known as "coincident economic indexes" intended to provide information about current economic activity in individual states. Unlike leading indexes, these measures are not designed to predict where the economy is headed; rather, they are intended to tell us where we are now.[8] These indexes can be used to measure the scope of economic decline or growth.

The analysis of coincident indexes indicates that as of December 2015, economic activity nationwide increased by 0.8 percent compared to three months earlier and by 3.2 percent compared to a year earlier. At the state level, forty-two states reported growth in economic activity compared to three months earlier. The number of states reporting growth in economic activity has been rather stable between 2012 and 2014 and varied between forty-eight and fifty. However, the number of states reporting declines has increased in the last nine months. The data underlying these indexes are subject to revision, and should not be the basis for early conclusions.

Figure 5 shows national consumption of durable goods, nondurable goods, and services—factors likely to be related to sales tax revenues. The decline in consumption of durable and nondurable goods during the recent downturn was much sharper

Figure 5: Consumption of Goods and Services Ticks Downward

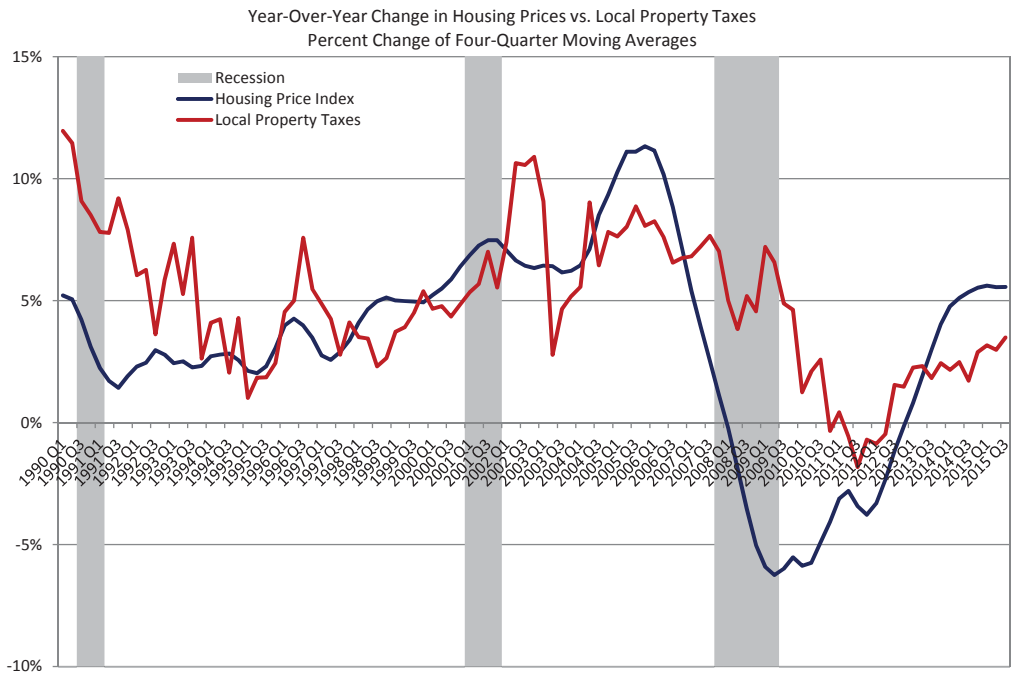


Source: U.S. Bureau of Economic Analysis, National Income and Product Accounts, Table 2.3.6.

than in the last recession. Consumption of nondurable goods and services remained relatively stagnant throughout 2014 and 2015. Growth in the consumption of durable goods, an important element of state sales tax bases, has been relatively volatile in the most recent quarters, trending upward throughout 2014 and downward throughout 2015.

Figure 6 shows the year-over-year percent change in the four-quarter moving average housing price index and local property taxes for the nation from the first quarter of 1990 through the third quarter of 2015. Declines in housing prices usually lead to declines in property taxes with some lag. The deep declines in housing prices caused by the Great Recession led to a significant slowdown in property tax growth and then to actual decline in fiscal years 2011 and 2012.[9]

Figure 6: Continued Growth in Local Property Taxes in the Third Quarter



Sources: U.S. Census Bureau, Quarterly Summary of State & Local Government Tax Revenue (local property taxes) and Federal Housing Finance Agency, House Price Indexes data (all transactions).

As Figure 6 shows, the housing price index began moving downward around mid-2005, with steeply negative movement from the last quarter of 2005 through the second quarter of 2009. The trend in the housing price index has been generally upward since mid-2009 and showed strong growth throughout 2014 and 2015. The housing price index grew by 5.6 percent in the third quarter of 2015, the eleventh consecutive quarter of growth

following twenty consecutive quarterly declines. Figure 6 also shows that the decline in local property taxes lagged the decline in housing prices. The four-quarter moving average of year-over-year change in local property taxes showed 3.5 percent growth in the third quarter of 2015, marking thirteen consecutive quarters of growth.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. During the July-September 2015 quarter, enacted tax increases and decreases produced an estimated gain of $147 million compared to the same period in 2014.[10] Enacted tax changes decreased personal income tax by approximately $263 million, increased sales tax by $115 million, and increased corporate income taxes by $144 million. Enacted tax changes also increased motor fuel and cigarette taxes by $112 million each, and decreased some other taxes by $73 million. Below we discuss some of the major enacted tax changes and their expected impact on tax revenues for fiscal year 2016.

The most significant personal income tax changes are in Ohio, where officials implemented across the board income tax rate reductions, expanded the earned income tax credit and personal exemptions, and increased the small business tax deduction for those reporting business income under the personal income tax. These enacted changes are estimated to result in a $1.1 billion reduction in income tax collections in fiscal year 2016. In California, officials implemented an earned income tax credit that would increase the after-tax income of low-income workers and decrease personal income tax receipts by $380 million in fiscal 2016.[11]

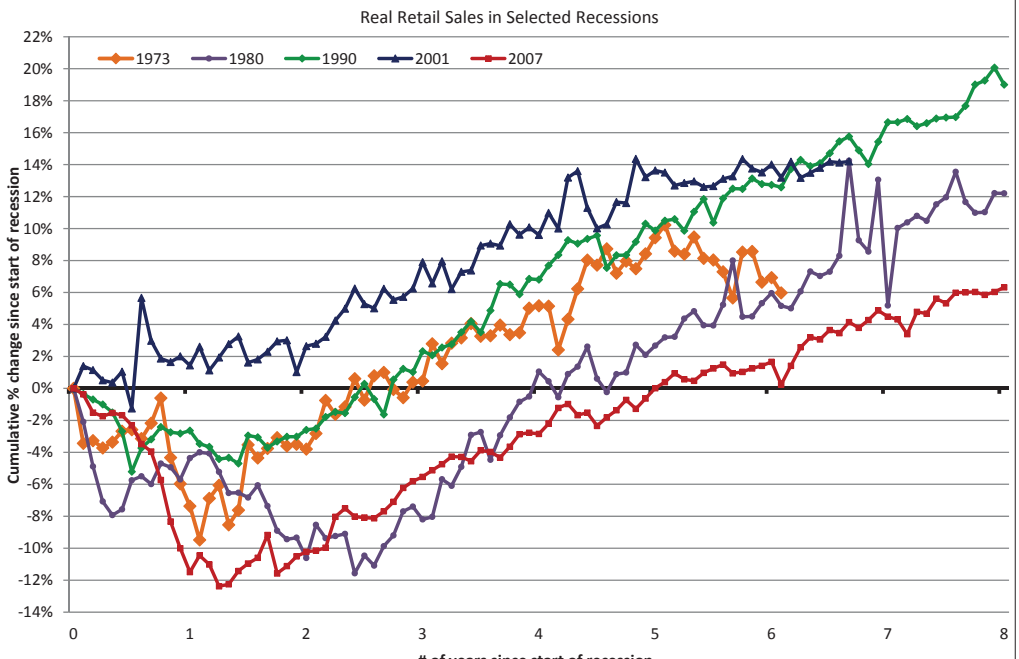
The most noticeable sales tax changes are in Connecticut, Kansas, Louisiana, and Maine, where projected increases range between $107 million and $176 million. Connecticut has eliminated its clothing sales tax exemption and adopted other legislated sales tax changes. Kansas increased the sales tax rate, and Louisiana and Maine adopted various legislated sales tax changes.

The most noticeable corporate income tax changes are in Connecticut and Louisiana, with projected increases of $258 and $405 million, respectively. In Connecticut, officials established mandatory unitary combined reporting, limited tax credits to 50.01 percent of tax, and implemented other legislated changes.[12] In Louisiana, officials reduced various corporate income and franchise tax credits.

A few states also increased cigarette and motor fuel sales taxes. Louisiana and Ohio increased cigarette tax rates, while North Carolina and Washington increased their motor fuel sales.

Other major tax changes include a constitutional amendment to increase property tax relief in Texas, overwhelmingly approved by voters, and a business franchise tax rate reduction that combined will result in an estimated cost of $1.9 billion in fiscal 2016. In Georgia, officials created new annual alternative fuel vehicle

Figure 7: Real Retail Sales Are Weak Compared to Historical Levels



Sources: Cleveland Federal Reserve Bank (pre-1990 retail sales), U.S. Census Bureau (1990+), and Bureau of Labor Statistics (CPI).
Notes: Data are shown only until the start of the next recession; 1980 and 1982 recessions are treated as single recession.

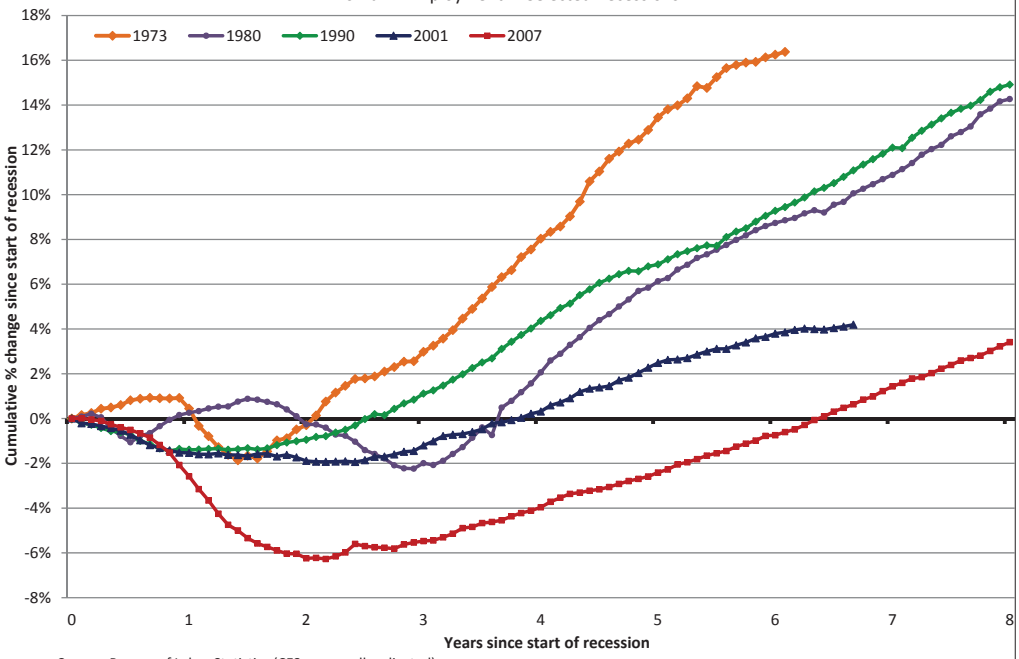
fees estimated to result in an additional $868 million in fiscal 2016. Officials in Nevada also enacted a combination of tax changes estimated to bring an additional $402 million in revenues to the state.

Overall, more states enacted significant tax changes for fiscal year 2016 than for the previous two fiscal years. The net enacted tax changes increase tax revenue collections in fiscal year 2016 while the net enacted tax changes for fiscal years 2014 and 2015 reduced revenue.

The Impact of Two Major Taxes

States rely on the sales tax for about 30 percent of their tax revenue. That revenue source was hit much harder during and after the last recession than in previous recessions. Retail sales and consumption are major drivers of sales taxes. Figure 7 shows the cumulative percentage change in inflation-adjusted retail sales for eight years following the start of each recession from 1980 forward.[13] Real retail sales in the Great Recession (the solid red line) plummeted after December 2007, falling sharply and almost continuously until December 2008, by which point they were more than 10

Figure 8: Employment Is Only 3.4 Percent Above the Prerecession Level



Source: Bureau of Labor Statistics (CES, seasonally adjusted).
Notes: Data are shown only until the start of the next recession; 1980 and 1982 recessions are treated as single recession.

percent below the prerecession peak. This was deeper than in most recessions, although the declines in the 1980 recession also were quite sharp. While real retail sales have been rising continuously from their lows in the last five years, at the end of December 2015, eight years after the start of the Great Recession, they were only 6.3 percent above the prerecession levels.

States on average count on the income tax for about 36 percent of their tax revenue. Employment and associated wage payments are major drivers of income taxes. Figure 8 shows the cumulative percentage change in nonfarm employment for the nation as a whole for eight years following the start of each recession from 1980 forward.[14] The last data point for the 2007 recession is December 2015. The employment finally attained its prerecession peak levels since May 2014. However, as the graph shows, the 3.4 percent employment growth as of December 2015 is still worse than the trends seen in and around previous recessions.

Tax Revenue Outlook for Remainder of Fiscal 2016

Preliminary data for forty-six states for the October-December quarter of 2015 indicate that total tax revenues increased by 2.6 percent compared to the same period of 2014, which is a significant softening compared to the growth rates reported in the first half of 2015. Personal income tax collections grew 4.8 percent, which is significantly lower than growth rates in the previous three quarters of 2015. The significant softening in the fourth quarter is driven by the weakness in withholding as well as in estimated payments, as discussed above. Sales tax collections grew 2.0 percent, while corporate income tax collections declined 0.3 percent in the fourth quarter of 2015.

Table 10 shows state-by-state changes in major tax revenues during the fourth quarter of 2015 compared to the same quarter a year earlier. According to preliminary data from forty-six early reporting states, twelve states indicated declines in overall state tax revenue collections in the fourth quarter of 2015, with five states reporting double digit declines. Four of those five states — Alaska, Louisiana, North Dakota, and Oklahoma — are oil- and mineral-dependent states. Thirty-four states reported growth, with fourteen states reporting growth of 5 percent or more, but less than 10 percent. The greatest growth was in Tennessee where revenues grew by 9.8 percent. We will provide a complete analysis of tax revenue collections for the fourth quarter of 2015 after the Census Bureau's data for the quarter are available.

Overall, the state revenue outlook for the remainder of fiscal year 2016 appears positive, but very moderate for most states and depressing for oil- and mineral-dependent states. The stock market weakness in 2015 could bode ill for estimated and final payments of personal income tax later this fiscal year. (The stock market declines in 2016, if continued, could cause trouble in 2016-17.)

The drop in oil prices had a particularly huge impact on Alaska, where severance taxes made up over three-quarters of total taxes. Total tax revenues in Alaska declined by over 70 percent in fiscal 2015 compared to fiscal 2014. Alaska does not have broad-based personal income or sales taxes and relies heavily on oil and gas severance taxes. About 90 percent of the state's general fund comes from oil revenue. Therefore, the oil booms and busts have a big impact on Alaska's budget. The large declines in oil prices in the most recent months left the state with unprecedented budget deficits. Alaska is facing a $3.5 billion budget gap and the governor recently proposed the imposition of a personal income tax as well as large spending cuts.[15] Budget gaps are also present in other oil- and mineral-dependent states, as discussed in our previous work.[16]

States Forecast Slow Tax Revenue Growth in 2016 and 2017

Many states are forecasting slower personal income tax and sales tax revenue growth in 2016 than in 2015. States also forecast slow growth for fiscal year 2017, which means governors have to make tough spending decisions.

Table 11 shows the actual collections for fiscal 2014 and 2015 and the most recent forecasts for fiscal 2016 and 2017 for personal income tax and sales tax revenues for forty-one states for which we were able to collect such data. It also shows the forecast month and year. These are the latest public estimates we were able to obtain as of the writing of this report. In forty states, forecast dates are between October 2015 and February 2016, indicating that their forecasts for fiscal 2016 and 2017 likely take into consideration the weak stock market in the second half of 2015. 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.

Table 12 shows the percentage change in states' forecasts from 2014 to 2015, from 2015 to 2016, and from 2016 to 2017 for each source. At the bottom, it shows the median change across states.

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. The median state forecast for personal income tax growth is 4.6 percent in 2016 and 4.4 percent in 2017, both of which are down from state-estimated growth of 7.8 percent in 2015. Overall, twenty-nine of thirty-six states with income tax forecasts are forecasting slower income tax growth in 2016 than in 2015, and nineteen states are forecasting slower growth in 2017 than in 2016. Two states — Oklahoma and Rhode Island — are projecting declines in personal income tax collections in fiscal 2016. Oklahoma is also projecting declines in fiscal 2017. The projected decline in Oklahoma is

partially due to six-time income tax rate cuts between 2004 and 2016. The individual income tax rate was reduced from 5.25 percent to 5.0 percent beginning January 1, 2016. In addition to cuts in income tax rates, "the Legislature has enacted other personal income tax cuts since 2003. These include increasing the standard deduction and indexing it to the federal deduction level, increasing the deduction for seniors' retirement income, and fully exempting capital gains from the sale of Oklahoma-held property."[17]

Forecasts for fiscal years 2016 and 2017 also indicate less-robust growth in total sales tax collections. The median state forecast for sales tax growth is 3.5 percent in 2016 and 3.9 percent in 2017, both of which are down from the 4.5 percent growth rate reported in 2015. Twenty-two of thirty-eight states are forecasting slower sales tax growth in 2016 than in 2015, and seventeen states are forecasting slower growth in 2017 than in 2016. Four states — Maine, New Mexico, Oklahoma, and Wyoming — are projecting declines in sales tax collections in 2016.

The overall picture is of continued but sluggish growth in fiscal years 2016 and 2017. Some of this slowdown is attributable to states not forecasting a repeat of the income tax surge of last April. In addition, weak forecasts are also related to the poor stock market performance, to the anticipated slow economic growth, to the falling oil prices, to the changing consumption and spending habits of Americans, and to the long-term demographic changes, among other factors.

Table 7: Nonfarm Employment, by State

Last Four Quarters, Year-Over-Year Percent Change

	2015			
	Jan-Mar	*Apr-Jun*	*Jul-Sep*	*Oct-Dec*
United States	**2.3**	**2.0**	**2.0**	**1.8**
New England	**1.5**	**1.6**	**1.9**	**1.7**
Connecticut	1.6	1.4	1.9	1.5
Maine	0.3	0.5	1.1	1.2
Massachusetts	1.8	2.0	2.5	2.2
New Hampshire	1.2	1.2	1.1	0.8
Rhode Island	1.2	1.0	1.2	1.6
Vermont	1.7	1.6	1.1	1.0
Mid-Atlantic	**1.4**	**1.4**	**1.5**	**1.4**
Delaware	2.0	1.8	1.6	1.3
Maryland	1.6	1.7	2.0	2.0
New Jersey	1.1	1.0	1.2	1.4
New York	1.7	1.6	1.8	1.8
Pennsylvania	1.1	1.0	1.1	0.7
Great Lakes	**1.7**	**1.5**	**1.5**	**1.3**
Illinois	1.3	0.8	0.6	0.4
Indiana	2.1	1.9	2.5	2.0
Michigan	2.1	2.3	2.4	1.9
Ohio	1.6	1.3	1.2	1.5
Wisconsin	1.8	1.5	1.8	1.2
Plains	**1.6**	**1.1**	**1.1**	**1.0**
Iowa	1.7	1.5	1.5	1.5
Kansas	1.2	0.7	0.7	0.6
Minnesota	1.6	1.5	1.4	1.2
Missouri	1.6	0.7	1.2	1.0
Nebraska	1.2	0.6	0.8	1.4
North Dakota	3.8	1.1	(1.0)	(3.0)
South Dakota	1.1	1.8	2.0	2.2
Southeast	**2.5**	**2.2**	**2.1**	**1.9**
Alabama	1.8	1.3	1.5	1.1
Arkansas	2.2	2.0	2.1	1.6
Florida	3.7	3.5	3.2	3.0
Georgia	3.5	2.7	2.1	2.3
Kentucky	2.2	2.1	1.9	2.0
Louisiana	1.0	0.6	0.2	(0.6)
Mississippi	0.7	1.0	1.0	1.0
North Carolina	3.0	2.5	2.7	2.2
South Carolina	3.0	2.5	3.1	2.9
Tennessee	2.0	2.0	1.9	2.0
Virginia	0.9	1.1	1.0	1.4
West Virginia	(0.1)	(1.3)	(1.3)	(1.6)
Southwest	**2.8**	**2.2**	**1.9**	**1.5**
Arizona	2.6	2.2	2.4	2.5
New Mexico	1.6	1.3	0.9	0.4
Oklahoma	1.4	0.8	0.3	(0.1)
Texas	3.2	2.5	2.1	1.6
Rocky Mountain	**3.0**	**2.7**	**2.4**	**2.3**
Colorado	3.1	2.4	1.9	1.9
Idaho	2.9	3.2	3.0	4.0
Montana	0.4	0.7	1.0	0.7
Utah	4.1	4.2	4.2	3.4
Wyoming	1.6	0.2	0.0	(1.2)
Far West	**3.1**	**3.1**	**3.0**	**2.8**
Alaska	1.1	0.5	(0.0)	0.2
California	3.2	3.0	3.0	2.8
Hawaii	0.9	1.3	1.7	2.2
Nevada	3.3	3.3	3.1	2.6
Oregon	3.5	3.3	3.3	2.8
Washington	3.3	3.7	3.4	2.8

Source: Bureau of Labor Statistics (CES, seasonally unadjusted).

Table 8: State Tax Revenue, July-September 2014 and 2015 ($ in millions)										
	July-September 2014					July-September 2015				
	PIT	CIT	Sales	Motor Fuel	Total	PIT	CIT	Sales	Motor Fuel	Total
United States	**71,322**	**9,620**	**66,701**	**10,767**	**204,474**	**75,934**	**9,718**	**68,862**	**11,343**	**212,191**
New England	**4,972**	**744**	**2,702**	**411**	**10,915**	**5,278**	**768**	**2,978**	**434**	**11,607**
Connecticut	1,023	88	620	86	2,237	1,074	98	655	88	2,353
Maine	307	45	261	46	849	386	24	393	68	1,063
Massachusetts	3,176	438	1,473	195	6,033	3,324	458	1,565	199	6,323
New Hampshire	15	130	N/A	36	484	17	132	N/A	37	497
Rhode Island	287	14	255	23	821	305	30	268	23	873
Vermont	165	29	93	24	491	172	26	96	20	498
Mid-Atlantic	**15,651**	**1,998**	**8,082**	**1,358**	**35,429**	**17,279**	**2,378**	**8,389**	**1,514**	**38,374**
Delaware	302	50	N/A	25	722	323	61	N/A	28	780
Maryland	1,581	193	721	133	4,153	1,572	244	757	178	4,391
New Jersey	2,106	525	1,478	89	5,277	2,277	455	1,531	93	5,491
New York	9,186	713	3,348	445	17,332	10,390	1,143	3,497	424	19,435
Pennsylvania	2,475	517	2,535	665	7,946	2,716	474	2,605	791	8,275
Great Lakes	**11,079**	**1,399**	**10,811**	**1,577**	**31,700**	**11,028**	**1,460**	**11,128**	**1,706**	**32,431**
Illinois	3,680	788	2,260	307	9,391	3,059	675	2,316	348	8,685
Indiana	1,226	200	1,851	204	4,181	1,206	221	1,803	216	4,152
Michigan	2,532	167	2,892	408	8,294	3,006	341	3,103	445	9,254
Ohio	2,142	7	2,957	475	6,583	2,173	2	3,043	505	7,011
Wisconsin	1,499	237	850	184	3,251	1,584	221	863	192	3,328
Plains	**5,544**	**747**	**4,441**	**748**	**15,011**	**5,682**	**731**	**4,617**	**808**	**14,996**
Iowa	636	75	508	45	1,625	653	66	562	65	1,734
Kansas	524	123	777	108	1,732	526	102	836	120	1,830
Minnesota	2,397	296	1,204	231	5,421	2,476	331	1,224	243	5,580
Missouri	1,331	106	857	176	2,840	1,391	124	889	184	2,975
Nebraska	535	85	475	87	1,274	538	79	458	91	1,264
North Dakota	120	56	365	61	1,695	97	21	379	55	1,156
South Dakota	N/A	6	255	39	424	N/A	8	269	50	456
Southeast	**12,901**	**2,186**	**15,882**	**3,016**	**42,673**	**13,703**	**2,098**	**16,190**	**3,257**	**43,909**
Alabama	779	99	612	133	2,235	814	127	630	148	2,340
Arkansas	689	105	806	121	2,166	661	110	862	124	2,196
Florida	N/A	470	5,291	887	8,999	N/A	462	5,335	951	9,169
Georgia	2,433	224	1,297	298	4,809	2,645	229	1,354	396	5,229
Kentucky	981	156	805	234	2,698	1,040	170	860	196	2,796
Louisiana	781	72	796	152	2,683	778	(71)	751	157	2,354
Mississippi	425	107	730	110	1,690	424	102	572	115	1,510
North Carolina	2,402	291	1,747	490	5,595	2,708	292	1,874	511	6,089
South Carolina	1,134	89	758	139	2,502	1,180	98	736	148	2,553
Tennessee	4	291	1,913	220	3,198	7	350	2,052	233	3,367
Virginia	2,828	223	808	114	4,747	3,006	183	854	166	5,033
West Virginia	443	58	317	118	1,351	441	47	311	110	1,273
Southwest	**2,109**	**296**	**10,052**	**1,236**	**21,052**	**2,163**	**343**	**10,000**	**1,307**	**20,177**
Arizona	976	144	1,513	195	3,363	1,025	123	1,511	208	3,402
New Mexico	323	84	575	61	1,552	353	89	509	64	1,422
Oklahoma	810	68	684	115	2,388	784	130	631	123	2,248
Texas	N/A	N/A	7,280	865	13,749	N/A	N/A	7,349	912	13,105
Rocky Mountain	**2,629**	**340**	**1,815**	**411**	**6,456**	**2,820**	**341**	**1,940**	**425**	**6,822**
Colorado	1,409	161	715	182	3,045	1,507	162	750	177	3,225
Idaho	318	51	383	69	938	335	47	411	82	1,013
Montana	270	37	N/A	42	601	283	37	N/A	23	568
Utah	632	91	491	90	1,540	695	96	512	109	1,630
Wyoming	N/A	N/A	225	28	333	N/A	N/A	267	34	386
Far West	**16,437**	**1,910**	**12,916**	**2,009**	**41,237**	**17,983**	**1,599**	**13,619**	**1,890**	**43,874**
Alaska	N/A	155	N/A	13	258	N/A	58	N/A	15	214
California	14,309	1,561	8,703	1,464	30,988	15,588	1,287	8,961	1,336	32,753
Hawaii	453	21	699	23	1,511	520	56	831	28	1,739
Nevada	N/A	N/A	326	1	656	N/A	N/A	348	26	734
Oregon	1,675	172	N/A	183	2,441	1,875	198	N/A	194	2,686
Washington	N/A	N/A	3,188	325	5,384	N/A	N/A	3,479	292	5,749

Source: U.S. Census Bureau.
Notes: N/A - not applicable; ND - no data, NM - not meaningful.

Table 9: Quarterly Tax Revenue by Major Tax

July-September, 2014-2015, Percent Change

	PIT	CIT	Sales	Motor Fuel	Total
United States	**6.5**	**1.0**	**3.2**	**5.3**	**3.8**
New England	**6.1**	**3.3**	**10.2**	**5.6**	**6.3**
Connecticut	5.0	11.3	5.7	2.1	5.2
Maine	25.9	(46.1)	50.4	46.9	25.3
Massachusetts	4.6	4.7	6.3	2.2	4.8
New Hampshire	10.2	1.8	N/A	1.2	2.8
Rhode Island	6.5	109.3	5.2	(3.5)	6.3
Vermont	4.7	(10.8)	3.5	(18.2)	1.4
Mid-Atlantic	**10.4**	**19.0**	**3.8**	**11.5**	**8.3**
Delaware	7.0	21.5	N/A	10.6	8.1
Maryland	(0.6)	26.3	4.9	33.2	5.7
New Jersey	8.1	(13.3)	3.6	4.6	4.1
New York	13.1	60.3	4.4	(4.6)	12.1
Pennsylvania	9.7	(8.2)	2.8	18.9	4.1
Great Lakes	**(0.5)**	**4.4**	**2.9**	**8.2**	**2.3**
Illinois	(16.9)	(14.3)	2.5	13.3	(7.5)
Indiana	(1.7)	10.5	(2.6)	6.3	(0.7)
Michigan	18.7	104.3	7.3	9.1	11.6
Ohio	1.5	(66.6)	2.9	6.4	6.5
Wisconsin	5.7	(6.8)	1.5	4.2	2.4
Plains	**2.5**	**(2.2)**	**4.0**	**8.0**	**(0.1)**
Iowa	2.6	(12.2)	10.5	45.0	6.7
Kansas	0.4	(16.9)	7.6	11.0	5.7
Minnesota	3.3	12.0	1.7	4.9	2.9
Missouri	4.5	17.5	3.7	4.3	4.8
Nebraska	0.6	(7.0)	(3.5)	3.6	(0.8)
North Dakota	(19.0)	(63.3)	3.9	(9.7)	(31.8)
South Dakota	N/A	20.1	5.5	30.3	7.6
Southeast	**6.2**	**(4.0)**	**1.9**	**8.0**	**2.9**
Alabama	4.5	28.1	2.9	11.7	4.7
Arkansas	(4.0)	4.7	6.9	2.7	1.4
Florida	N/A	(1.6)	0.8	7.3	1.9
Georgia	8.7	2.0	4.3	33.0	8.7
Kentucky	6.0	8.4	6.9	(16.1)	3.7
Louisiana	(0.5)	(198.7)	(5.7)	3.5	(12.3)
Mississippi	(0.3)	(5.2)	(21.6)	4.8	(10.7)
North Carolina	12.8	0.4	7.3	4.2	8.8
South Carolina	4.0	9.4	(3.0)	6.1	2.0
Tennessee	45.1	20.3	7.2	6.0	5.3
Virginia	6.3	(18.1)	5.7	45.8	6.0
West Virginia	(0.4)	(18.9)	(1.9)	(6.8)	(5.8)
Southwest	**2.5**	**15.6**	**(0.5)**	**5.8**	**(4.2)**
Arizona	5.0	(14.4)	(0.1)	6.3	1.2
New Mexico	9.3	6.5	(11.5)	6.3	(8.4)
Oklahoma	(3.2)	90.3	(7.7)	7.5	(5.9)
Texas	N/A	N/A	0.9	5.4	(4.7)
Rocky Mountain	**7.3**	**0.4**	**6.9**	**3.4**	**5.7**
Colorado	7.0	1.0	4.8	(2.9)	5.9
Idaho	5.1	(8.9)	7.3	19.8	8.1
Montana	4.8	(1.7)	N/A	(45.2)	(5.5)
Utah	10.0	5.5	4.2	21.1	5.9
Wyoming	N/A	N/A	18.9	20.4	16.0
Far West	**9.4**	**(16.3)**	**5.4**	**(5.9)**	**6.4**
Alaska	N/A	(62.4)	N/A	15.6	(17.1)
California	8.9	(17.6)	3.0	(8.7)	5.7
Hawaii	14.7	164.5	18.9	19.6	15.1
Nevada	N/A	N/A	6.6	2,128.6	11.9
Oregon	12.0	15.2	N/A	6.3	10.0
Washington	N/A	N/A	9.1	(10.4)	6.8

Source: U.S. Census Bureau.
Notes: N/A - not applicable; ND - no data, NM - not meaningful.

Table 10: Quarterly Tax Revenue, Early Reporting States

October-December 2014 vs 2015, Percent Change

	PIT	CIT	Sales	Total
United States	**4.8**	**(0.3)**	**2.0**	**2.6**
New England	**4.0**	**11.2**	**1.7**	**3.8**
Connecticut	5.9	5.9	1.6	5.1
Maine	6.2	(42.7)	5.9	3.0
Massachusetts	3.2	15.6	1.1	3.3
New Hampshire	N/A	23.8	N/A	7.3
Rhode Island	(0.3)	25.2	1.0	0.0
Vermont	7.1	(20.2)	2.7	3.2
Mid-Atlantic	**5.1**	**43.0**	**1.7**	**2.9**
Delaware	7.1	34.0	N/A	6.7
Maryland	10.7	433.6	2.4	7.1
New Jersey	4.6	(13.9)	5.4	(0.9)
New York	5.4	32.1	(2.4)	4.4
Pennsylvania	0.6	0.9	3.2	0.6
Great Lakes	**(3.5)**	**(21.6)**	**0.1**	**(1.0)**
Illinois	(18.1)	(28.7)	(0.5)	(11.6)
Indiana	7.8	(16.1)	(1.7)	0.6
Michigan	5.5	(80.7)	(2.5)	(0.4)
Ohio	1.6	(132.6)	2.9	6.6
Wisconsin	5.7	24.3	2.9	5.1
Plains	**4.7**	**(17.7)**	**0.4**	**2.7**
Iowa	7.4	(59.8)	6.0	3.1
Kansas	(2.2)	4.9	6.1	7.7
Minnesota	5.8	(10.8)	1.6	2.1
Missouri	6.2	(4.9)	4.1	4.7
Nebraska	0.8	(12.0)	(1.7)	(0.1)
North Dakota	(14.1)	(81.3)	(32.4)	(12.7)
South Dakota	N/A	N/A	4.0	2.9
Southeast	**3.4**	**(14.6)**	**3.4**	**2.1**
Alabama	9.4	(46.2)	5.1	1.5
Arkansas	(3.1)	(26.4)	2.2	(0.1)
Florida	N/A	(9.7)	5.2	2.2
Georgia	4.3	2.6	(1.2)	6.6
Kentucky	3.5	5.4	5.5	2.7
Louisiana	1.3	(127.3)	(4.9)	(17.7)
Mississippi	3.7	(1.9)	(1.1)	(0.5)
North Carolina	7.5	(19.3)	0.1	4.7
South Carolina	3.6	105.7	2.1	3.0
Tennessee	N/A	48.4	7.0	9.8
Virginia	(0.4)	(27.5)	6.9	2.5
West Virginia	(0.0)	(32.0)	(0.3)	(7.3)
Southwest	**0.9**	**(31.6)**	**(2.5)**	**(1.6)**
Arizona	5.8	(17.1)	3.4	3.8
New Mexico	ND	ND	ND	ND
Oklahoma	(7.1)	(100.0)	(8.1)	(10.8)
Texas	N/A	N/A	(2.7)	(1.5)
Rocky Mountain	**4.8**	**(17.7)**	**2.9**	**3.5**
Colorado	3.0	(34.7)	2.1	0.3
Idaho	4.5	(7.7)	6.7	6.8
Montana	4.0	(35.4)	N/A	3.7
Utah	8.5	40.0	1.0	6.4
Wyoming	N/A	N/A	ND	ND
Far West	**10.6**	**(12.0)**	**6.5**	**6.4**
Alaska	N/A	(153.7)	N/A	(23.1)
California	10.7	(8.6)	6.6	6.5
Hawaii	ND	ND	ND	ND
Nevada	N/A	N/A	ND	ND
Oregon	9.9	(0.9)	N/A	8.9
Washington	N/A	N/A	6.4	6.0

Source: Individual state data, analysis by Rockefeller Institute.
Notes: N/A - not applicable; ND - no data.

Table 11: State Revenue Forecasts for FYs 2016 vs FY 2017									
State	Forecast month	Personal Income Tax ($ millions)				Sales Tax ($ millions)			
		FY 2014 Actual	FY 2015 Actual	FY 2016 Forecast	FY 2017 Forecast	FY 2014 Actual	FY 2015 Actual	FY 2016 Forecast	FY 2017 Forecast
Arizona	Jan-16	3,462	3,761	3,941	4,147	3,986	4,191	4,331	4,503
Arkansas	Feb-16	2,602	2,664	2,699	2,741	2,173	2,198	2,305	2,396
California	Jan-16	66,560	75,384	77,700	81,652	22,263	23,684	25,240	25,761
Colorado	Dec-15	5,696	6,350	6,478	6,974	2,666	2,879	2,967	3,140
Connecticut	Jan-16	8,721	9,151	9,570	9,829	4,106	4,205	4,230	4,092
Delaware	Dec-15	1,188	1,252	1,307	1,361	N/A	N/A	N/A	N/A
Florida	Jan-16	N/A	N/A	N/A	N/A	19,708	21,063	22,086	23,243
Georgia	Jan-16	8,966	9,679	10,084	10,716	5,126	5,390	5,433	5,659
Hawaii	Jan-16	1,745	1,988	2,086	2,190	2,825	2,993	3,198	3,374
Idaho	Jan-16	1,329	1,471	1,524	1,606	1,146	1,219	1,279	1,345
Indiana	Dec-15	4,899	5,233	5,250	5,372	6,926	7,195	7,346	7,665
Iowa	Dec-15	3,975	4,207	4,502	4,708	2,642	2,753	2,839	2,915
Kansas	Nov-15	2,218	2,278	2,450	2,485	2,446	2,485	2,675	2,775
Kentucky	Feb-16	3,749	4,070	4,234	4,411	3,131	3,267	3,421	3,540
Louisiana	Nov-15	2,751	2,886	3,055	3,222	2,620	2,701	2,872	2,841
Maine	May-15	1,406	1,522	1,549	1,640	1,106	1,195	1,127	1,181
Maryland	Dec-15	7,774	8,346	8,779	9,273	4,143	4,351	4,516	4,662
Massachusetts	Jan-16	13,202	14,449	14,940	15,543	5,496	5,774	6,090	6,436
Michigan	Jan-16	8,013	8,980	9,032	9,346	7,895	7,819	8,046	8,059
Minnesota	Nov-15	9,660	10,403	10,678	11,278	5,043	5,131	5,368	5,663
Mississippi	Oct-15	1,667	1,743	1,830	1,903	2,201	2,261	2,327	2,415
Missouri	Jan-16	6,353	6,891	7,221	7,566	1,969	2,014	2,073	2,137
Montana	Nov-15	1,063	1,176	1,243	1,313	N/A	N/A	N/A	N/A
Nebraska	Oct-15	2,061	2,205	2,300	2,415	1,525	1,535	1,565	1,620
New Mexico	Jan-16	1,255	1,340	1,401	1,455	2,070	2,167	2,144	2,280
New York	Dec-15	42,961	43,709	47,094	49,960	12,588	12,991	13,317	13,877
Oklahoma	Feb-16	2,028	2,161	1,971	1,752	2,156	2,224	2,038	2,070
Oregon	Feb-16	6,628	7,330	7,716	7,976	N/A	N/A	N/A	N/A
Pennsylvania	Feb-16	11,437	12,107	12,772	13,213	9,130	9,493	9,830	10,178
Rhode Island	Nov-15	1,116	1,228	1,215	1,265	916	963	981	1,015
South Carolina	Nov-15	3,423	3,661	3,888	4,067	2,505	2,644	2,785	2,926
South Dakota	Dec-15	N/A	N/A	N/A	N/A	823	837	873	905
Tennessee	Nov-15	239	303	326	341	7,286	7,706	8,141	8,576
Texas	Oct-15	N/A	N/A	N/A	N/A	27,274	28,787	29,144	30,546
Utah	Nov-15	2,890	3,158	3,321	3,467	1,657	1,715	1,780	1,852
Vermont	Jan-16	671	706	761	794	354	365	378	392
Virginia	Dec-15	11,253	12,329	12,778	13,162	3,067	3,235	3,398	3,529
Washington	Nov-15	N/A	N/A	N/A	N/A	8,237	8,793	9,428	9,812
West Virginia	Jan-16	1,664	1,840	1,861	1,935	1,173	1,228	1,270	1,379
Wisconsin	Jan-16	7,061	7,326	7,810	8,050	4,628	4,892	5,051	5,218
Wyoming	Jan-16	N/A	N/A	N/A	N/A	521	544	467	471
United States		**261,686**	**283,285**	**295,363**	**309,128**	**195,529**	**204,887**	**212,357**	**220,444**

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

Notes: Data are missing for seven states: AL, IL, NC, ND, NJ, NV, & OH. In addition, no data are reported for AK & NH as both states don't have either personal income or sales tax.

Table 12: Percentage Change in State Forecasts						
State	PIT			Sales		
	2014 vs 2015	2015 vs 2016	2016 vs 2017	2014 vs 2015	2015 vs 2016	2016 vs 2017
Arizona	8.6	4.8	5.2	5.1	3.3	4.0
Arkansas	2.4	1.3	1.5	1.1	4.9	3.9
California	13.3	3.1	5.1	6.4	6.6	2.1
Colorado	11.5	2.0	7.7	8.0	3.0	5.8
Connecticut	4.9	4.6	2.7	2.4	0.6	(3.3)
Delaware	5.4	4.4	4.1	N/A	N/A	N/A
Florida	N/A	N/A	N/A	6.9	4.9	5.2
Georgia	8.0	4.2	6.3	5.2	0.8	4.2
Hawaii	13.9	4.9	5.0	5.9	6.8	5.5
Idaho	10.6	3.6	5.4	6.4	4.9	5.2
Indiana	6.8	0.3	2.3	3.9	2.1	4.4
Iowa	5.8	7.0	4.6	4.2	3.1	2.7
Kansas	2.7	7.6	1.4	1.6	7.6	3.7
Kentucky	8.5	4.0	4.2	4.3	4.7	3.5
Louisiana	4.9	5.8	5.5	3.1	6.3	(1.1)
Maine	8.2	1.8	5.9	8.0	(5.7)	4.7
Maryland	7.4	5.2	5.6	5.0	3.8	3.2
Massachusetts	9.4	3.4	4.0	5.1	5.5	5.7
Michigan	12.1	0.6	3.5	(1.0)	2.9	0.2
Minnesota	7.7	2.6	5.6	1.7	4.6	5.5
Mississippi	4.6	5.0	4.0	2.7	2.9	3.8
Missouri	8.5	4.8	4.8	2.3	2.9	3.1
Montana	10.6	5.7	5.6	N/A	N/A	N/A
Nebraska	7.0	4.3	5.0	0.7	1.9	3.5
New Mexico	6.8	4.6	3.9	4.7	(1.0)	6.3
New York	1.7	7.7	6.1	3.2	2.5	4.2
Oklahoma	6.5	(8.8)	(11.1)	3.1	(8.4)	1.6
Oregon	10.6	5.3	3.4	N/A	N/A	N/A
Pennsylvania	5.9	5.5	3.5	4.0	3.5	3.5
Rhode Island	10.0	(1.0)	4.2	5.2	1.8	3.5
South Carolina	7.0	6.2	4.6	5.5	5.4	5.0
South Dakota	N/A	N/A	N/A	1.6	4.3	3.7
Tennessee	26.8	7.3	4.7	5.8	5.6	5.3
Texas	N/A	N/A	N/A	5.5	1.2	4.8
Utah	9.3	5.2	4.4	3.5	3.8	4.0
Vermont	5.2	7.8	4.3	3.1	3.8	3.6
Virginia	9.6	3.6	3.0	5.5	5.0	3.9
Washington	N/A	N/A	N/A	6.8	7.2	4.1
West Virginia	10.6	1.1	4.0	4.7	3.4	8.6
Wisconsin	3.7	6.6	3.1	5.7	3.2	3.3
Wyoming	N/A	N/A	N/A	4.4	(14.2)	0.8
US Median	**7.8**	**4.6**	**4.4**	**4.5**	**3.5**	**3.9**

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

Notes: Data are missing for seven states: AL, IL, NC, ND, NJ, NV, & OH. In addition, no data are reported for AK & NH as both states don't have either personal income or sales tax.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the U.S. Census Bureau in December of 2015. For reasons we describe below, we have adjusted Census data for selected states to arrive at figures that we believe are best-suited for our purpose of examining underlying economic and fiscal conditions. As a result of these adjustments, we report a year-over-year increase in state tax collections of 3.8 percent in the third quarter, compared to the 3.6 percent increase that can be computed from data on the Census Bureau's Web site (www.census.gov/govs/www/qtax.html). In this section we explain how and why we have adjusted Census Bureau data, and the consequences of these adjustments.

The Census Bureau and the Rockefeller Institute engage in two related efforts to gather data on state tax collections, and we communicate frequently in the course of this work. The Census Bureau has a highly rigorous and detailed data collection process that entails a survey of state tax collection officials, coupled with web and telephone follow-up. It is designed to produce, after the close of each quarter, comprehensive tax collection data that, in their final form after revisions, are highly comparable from state to state. These data abstract from the fund structures of individual states (e.g., taxes will be counted regardless of whether they are deposited to the general fund or to a fund dedicated for other purposes such as education, transportation, or the environment).

The Census Bureau's data collection procedure is of high quality, but is labor-intensive and time-consuming. States that do not report on time, or do not report fully, or that have unresolved questions may be included in the Census Bureau data on an estimated basis, in some cases with data imputed by the Census Bureau. These imputations can involve methods such as assuming that collections for a missing state in the current quarter are the same as those for the same state in a previous quarter, or assuming that collections for a tax not yet reported in a given state will have followed the national pattern for that tax. In addition, state accounting and reporting for taxes can change from one quarter to another, complicating the task of reporting taxes on a consistent basis. For these reasons, some of the initial Census Bureau data for a quarter may reflect estimated amounts or amounts with unresolved questions, and will be revised in subsequent quarters when more data are available. As a result, the historical data from the Census Bureau are comprehensive and quite comparable across states, but on occasion amounts reported for the most recent quarter may not reflect all important data for that quarter.

The Rockefeller Institute also collects data on tax revenue, but in a different way and for different reasons. Because historical Census Bureau data are comprehensive and quite comparable, we rely almost exclusively on Census data for our historical analysis. Furthermore, in recent years Census Bureau data have become far more timely and we use them for the most recent quarter as well, although we supplement Census data for certain purposes. We collect our own data on a monthly basis so that we can get a more current read on the economy and state finances. For example, as this report goes to print we have data on tax collections for the fourth quarter of 2015 for forty-six states; while the numbers are preliminary, they are still useful in understanding what is happening to state finances.

In addition, we collect certain information that is not available in the Census Data — figures on withholding tax collections, payments of estimated income tax, and final payments and refunds, all of which are important to understanding income tax collections more fully. Our main uses for the data we collect are to report more frequently and currently on state fiscal conditions, and to report on the income tax in more detail.

Ordinarily, there are not major differences between our data for a quarter and the Census Bureau data. In the last three years, states have been slow in reporting tax revenues to Census Bureau in a timely manner due in part to furloughs and reduced workforces. For example, for the

third quarter of 2015, the Census Bureau did not receive data in time for seven states and reported estimated figures for those states. We have made some adjustments to the Census data. In addition, the Census Bureau's own resources are strained and the Bureau does not necessarily have resources available to examine questionable data. Table 13 shows the year-over-year percent change in national tax collections for the preliminary figures as reported by the Census Bureau in December 2015 and for the Census Bureau's preliminary figures with selected adjustments by the Rockefeller Institute.

Table 13: Rockefeller Institute vs. Census Bureau Quarterly Tax Revenue by Major Tax
July-September, 2014 to 2015, Percent Change

	PIT	CIT	Sales	Motor Fuel	Total
Census Bureau Preliminary	6.1	(0.5)	3.7	4.9	3.6
Census Bureau Preliminary with RIG Adjustments	6.5	1.0	3.2	5.3	3.8

The last set of numbers with our adjustments is what we use as the basis for this report. For the third quarter of 2015, we made adjustments for the following ten states — Alaska, Colorado, Indiana, Kansas, Michigan, Nevada, New Mexico, Oregon, South Carolina, and South Dakota — based upon revised data provided to us by the Census Bureau or information provided to us directly by these states. For seven of these ten states, the Census Bureau had not received a response in time for its publication and used imputed data that will be revised later. The Institute obtained data for all seven; these data may not be as comprehensive as what would be used by the Census Bureau, but we believe they provide a better picture of fiscal conditions than imputed data. In addition, we adjusted tax data for three other states where Census Bureau's figures were questionable. Finally, we adjusted tax data for some previous quarters for those states where the Census Bureau still reported imputed values or where preliminary figures were questionable. The net impact of these adjustments can be quite substantial: In two states they accounted for double-digit differences in the year-over-year growth rate for sales taxes.

Endnotes

1 We made adjustments to Census Bureau data for the third quarter of 2015 for ten states — Alaska, Colorado, Indiana, Kansas, Michigan, Nevada, New Mexico, Oregon, South Carolina, and South Dakota — based upon data and information provided to us directly by these states or based on the revised data provided to us by the Census Bureau. In addition, we made adjustments to tax numbers for the previous quarters for some states, where the Census Bureau still reported imputed data or where the numbers were questionable. These revisions together account for some differences between the Census Bureau figures and the Rockefeller Institute estimates.

2 We made adjustments to Census Bureau local property tax data for second quarter of 2015. The data released in December 2015 indicated a 23 percent increase in local property tax revenue in the second quarter of 2015. This was $21 billion higher than the year-ago quarter. We investigated the anomalies that had contributed to the large increase and the Census Bureau will release revised data in March 2016. For this report, we used the local property tax data for the second quarter of 2015, as it was released originally in September of 2015.

3 See, for example, Lucy Dadayan and Donald J. Boyd, "State Tax Revenues Continue Slow Rebound," *State Revenue Report*, #90, The Nelson A. Rockefeller Institute of Government, February 2013, http://www.rockinst.org/pdf/government_finance/state_revenue_report/SSR-90.pdf , and Lucy Dadayan and Donald J. Boyd, "April 'Surprises' More Surprising Than Expected," *State Revenue Special Report*, The Nelson A. Rockefeller Institute of Government, June 2014, http://www.rockinst.org/pdf/government_finance/state_revenue_report/2014-06-12-Special_ReportV5.pdf.

3 Beginning with the third quarter of 2013, the Census Bureau redesigned the local nonproperty tax survey instrument and now collects data only from the four largest tax categories: property, sales, personal income, and corporate income taxes. Therefore, Figure 2 is based on tax collections from those four major tax categories only and excludes revenue collections from smaller taxes, such as motor fuel sales taxes, and tobacco product and alcoholic beverage sales taxes, among other smaller sources of taxes. For comparative purposes, we have excluded smaller taxes from the total state government taxes as well. Overall, the excluded taxes represent around one quarter of total state government tax collections and less than 10 percent of total local government tax collections. In addition, we have adjusted the Census Bureau's historical local property tax revenues to achieve greater comparability between the Census Bureau's prior survey methodology and a revised survey methodology in use since the fourth quarter of 2008. We have adjusted the historical data for local property tax revenue as reported by the Census Bureau, revising the data for the third quarter of 2008 and earlier periods upward by 7.7 percent, consistent with the higher level of property tax revenue in the new sample compared with the previous sample, as reported in the Census Bureau's "bridge study." For more information on methodological changes to the local property tax and the results of the bridge study, please see http://www2.census.gov/govs/qtax/bridgestudy.pdf.

4 See Lucy Dadayan and Donald J. Boyd, "Double, Double, Oil and Trouble," *By The Numbers Brief*, The Nelson A. Rockefeller Institute of Government, February 2016, http://www.rockinst.org/pdf/government_finance/2016-02-By_Numbers_Brief_No5.pdf.

5 Preliminary figures for the October-December quarter of 2015 are not available for the following four states: Hawaii, Nevada, New Mexico, and Wyoming. The nationwide picture for collections during the fourth quarter of 2015 may change slightly once we have complete data for all fifty states for the quarter.

6 The 6.7 percent is based on calendar year average and is not adjusted for dividends. For more information, see the S&P 500 database available through the Federal Reserve Bank of St. Louis, http://research.stlouisfed.org/fred2/series/SP500/downloaddata.

7 See Donald Bruce, William F. Fox, and LeAnn Luna, "State and Local Government Sales Tax Revenue Losses from Electronic Commerce," The University of Tennessee, April 13, 2009, http://cber.bus.utk.edu/ecomm/ecom0409.pdf.

8 For a technical discussion of these indexes and their national counterpart, see Theodore M. Crone and Alan Clayton-Matthews. "Consistent Economic Indexes for the 50 States," *Review of Economics and Statistics*, 87 (2005), pp. 593-603; Theodore M. Crone, "What a New Set of Indexes Tells Us About State and National Business Cycles," *Business Review*, Federal Reserve Bank of Philadelphia (First Quarter 2006); and James H.

Stock and Mark W. Watson. "New Indexes of Coincident and Leading Economic Indicators," *NBER Macroeconomics Annual* (1989), pp. 351-94. The data and several papers are available at http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/.

9 For more discussion of the relationship between property tax and housing prices, see Lucy Dadayan, *The Impact of the Great Recession on Local Property Taxes* (Albany, NY: The Nelson A. Rockefeller Institute of Government, July 2012), http://www.rockinst.org/pdf/government_finance/2012-07-16-Recession_Local_%20Property_Tax.pdf.

10 Rockefeller Institute analysis of data from Table A-1, *The Fiscal Survey of States: Fall 2015* (Washington, DC: National Association of State Budget Officers, December 15, 2015), pp. 85-91, http://www.nasbo.org/sites/default/files/Fall%202015%20Fiscal%20Survey%20of%20States%20%28S%29.pdf.

11 See Claire Montialoux and Jesse Rothstein, "The New California Earned Income Tax Credit," *Policy Brief*, Institute for Research on Labor and Employment, December 2015, http://www.irle.berkeley.edu/policybriefs/20151215-montialoux-rothstein.pdf, for a description of the credit as enacted. It appears to be virtually identical to the proposed credit, which the Legislative Analyst's Office estimated to cost $380 million. See "May Revision: Earned Income Tax Credit Proposal," California Legislative Analyst's Office, May 17, 2015, http://www.lao.ca.gov/LAOEconTax/Article/Detail/107.

12 See the summary of 2015 legislation changes available through Department of Revenue Services, State of Connecticut, http://www.ct.gov/drs/cwp/view.asp?Q=567762&A=1463.

13 This treats the 1980-82 "double-dip" recession as a single long recession.

14 Ibid.

15 See Governor Bill Walker, the State of Alaska, "Alaska 2016 State of the State, " January 21, 2016, http://gov.alaska.gov/Walker/press-room/full-press-release.html?pr=7359.

16 See Dadayan and Boyd, "Double, Double, Oil and Trouble."

17 See David Blatt, *The Cost of Tax Cuts in Oklahoma* (Tulsa: Oklahoma Policy Institute, January 12, 2016) http://okpolicy.org/the-cost-of-tax-cuts-in-oklahoma/.

About The Nelson A. Rockefeller Institute of Government's Fiscal Studies Program

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all fifty states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior policy analyst, and Donald J. Boyd, senior fellow. Thomas Gais, director of the Institute provided valuable feedback on the report. Michael Cooper, the Rockefeller Institute's director of publications, did the layout and design of this report, with assistance from Michele Charbonneau.

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