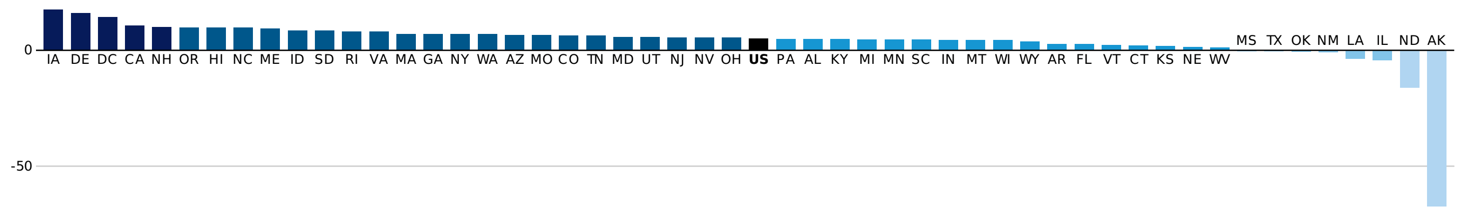
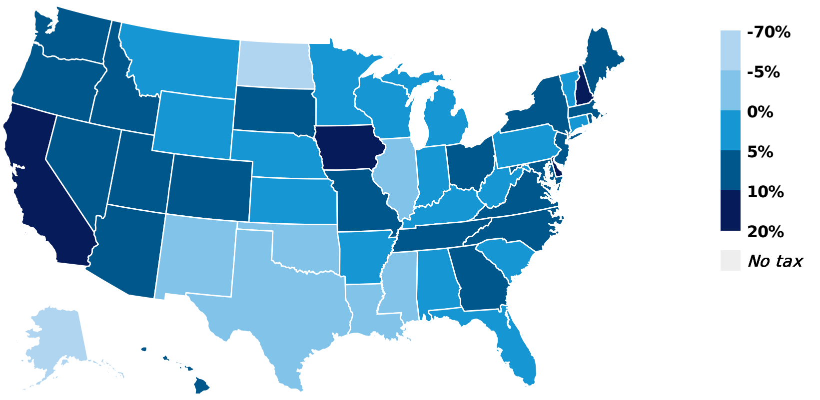
TAXES

Examining inflation-adjusted total, sales, individual income, and corporate income tax revenue data for all 50 states and DC during the most recent four quarters compared with the previous four quarters.



REGION/STATE	CHANGE	QUARTER	YEAR
United States of America	5.1%		2015



National real total state tax revenue (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues) increased 5.1 percent in the year ending in the third quarter of 2015 compared with one year earlier. Iowa's 17.6 percent total tax revenue increase over the year was the largest of any state. The state saw substantial revenue growth from both its general sales tax and individual income tax—neither tax was substantially changed by law in the past two years. Iowa did raise its motor fuel taxes (https://tax.iowa.gov/iowa-fuel-tax-rate-changes-effective-july-1-2015) this summer and collected more revenue as a result (but not as much new revenue as from the sales and income tax over the year). The next-highest real total tax revenue increases were in Delaware (16.1 percent), the District of Columbia (14.3 percent), California (10.6 percent), and New Hampshire (10.0 percent). DC's revenue jumped in the third quarter in part because of settlements (http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/September 2015 Revenue Estimates_09302015.pdf) with online travel companies (that owed DC taxes). Two states had huge declines in total tax revenue because of the collapse in oil prices. Alaska's total tax revenue fell 67.3 percent and North Dakota's fell 16.0 percent. Both states collected $1 billion less in severance tax revenue in the past four quarters than they did the four quarters before that period—from the fourth quarter of 2013 to the third quarter of 2014. Falling severance tax revenue were also (mostly) responsible for total tax revenue declines in Louisiana (-3.5 percent), New Mexico (-0.7 percent), Oklahoma (-0.6 percent), and Texas (-0.4 percent). Illinois' total tax revenue declined 4.3 percent because of a reduced individual income tax rate and Mississippi's fell 0.3 percent because of sales tax revenue (see sections below).

Real general sales tax (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/sales-taxes) revenue increased nationally 4.6 percent in the year ending in the third quarter of 2015 compared with one year earlier. Real sales tax revenue increased more than 10.0 percent in five states: Iowa (22.5.1 percent), North Dakota (15.0 percent), Maine (14.9 percent), North Carolina (14.2 percent), and South Dakota (11.8 percent). None of these states raised their state sales tax rate in the past two years, but North Carolina expanded its tax base (http://www.dor.state.nc.us/taxes/taxlawupdate_2013.pdf) to some new services and utilities. In total, DC and 19 of the 45 states with a general sales tax saw real revenue increase 5.0 percent or more. Mississippi had the largest decline in real sales tax revenue (-4.4 percent). We do not know specifically what caused this decline—there was not a rate decrease, for example—but the state's legislative budget office (http://www.lbo.ms.gov/pdfs/fy16_revrpt_nov_2015.pdf) also shows declines in sales tax revenue. There were smaller real sales tax revenue declines in Nebraska (-1.6 percent) and Oklahoma (-0.5 percent).

Real individual income tax (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/individual-income-taxes) revenue increased nationally 9.1 percent in the year ending in the third quarter of 2015 compared with one year earlier. Forty of the 41 states with a broad-based income tax (New Hampshire and Tennessee have narrow tax bases) had real revenue increase over the year. Eleven states and DC had real revenue increase 10.0 percent or more. The largest real revenue increases were in Hawaii (18.4 percent), Iowa (15.6 percent), California (14.4 percent), and North Carolina (14.3 percent). None of these states have increased tax rates over the past year; in fact, North Carolina cut its flat income tax rate (http://www.dor.state.nc.us/taxes/individual/ind_whatsnew.html) from 5.80 percent to 5.75 percent at the beginning of 2015.The only state that saw real individual income tax revenue decline was Illinois (-8.7 percent). The drop was largely because the state's flat income tax rate fell from 5.00 percent to 3.75 percent on January 1, 2015, when a temporary tax increase expired (http://www.revenue.state.il.us/Publications/Bulletins/2015/FY-2015-09.pdf).

Real corporate income tax (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/corporate-income-taxes) revenue increased nationally 4.2 percent over the four quarters that concluded in September 2015 compared with the previous year. In the 44 states with a broad corporate income tax (Nevada, Ohio, Texas, Washington, and Wyoming do not tax corporate income; South Dakota only taxes financial institutions), real revenue changes ranged from a 65.2 percent decline in Alaska—most of the state's corporate tax revenue (http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1226r) is tied to petroleum companies—to a 52.6 percent increase in Delaware. Thirty-three states and DC saw real revenue increases over the past year. These data highlight that state corporate income tax revenue is highly volatile—profits fluctuate, the timing of tax payments change, and states offer amnesty programs.

Note: All of Connecticut's tax data for the second quarter of 2015 were derived from Rockefeller Institute of

Government estimates (http://www.rockinst.org/pdf/government_finance/state_revenue_report/2015-09-17-SRR_100.pdf) and not the Census of Governments data because Connecticut's recent pattern of second quarter tax data being revised upward later.