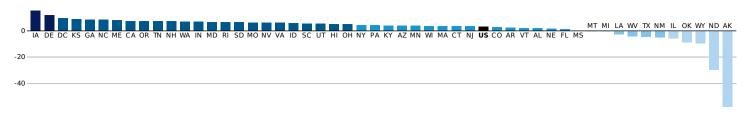
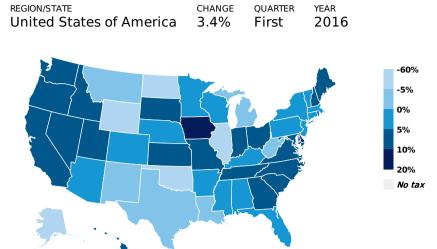
Examining inflation-adjusted total, sales, individual income, and corporate income tax revenue data for all 50 states and DC during the most recent four quarters compared with the previous four quarters.

## Total Tax Revenue (inflation-adjusted, percent change year over year)

Real total state tax revenue increased 3.4 percent in the year ending in the first quarter of 2016 compared with one year earlier.



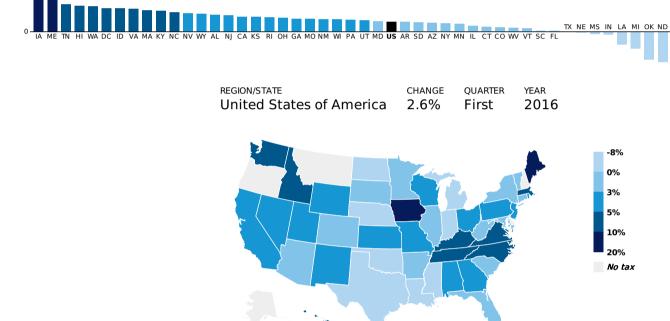


Source: US Census Bureau. (http://www.census.gov/govs/qtax/) Note: Four quarters ending in the first quarter of 2016 are compared with four quarters ending in the the first quarter of 2015.

National real total state tax revenue (http://www.urban.org/policy-centers/cross-center-initiatives/state-localfinance-initiative/state-and-local-backgrounders/state-and-local-revenues) increased 3.4 percent in the year ending in the first quarter of 2016 compared with one year earlier. Despite the national increase, 11 states had total tax revenue losses over the year, ranging from -58.1 percent in Alaska to -0.5 percent in Montana. Eight of these 11 states rely heavily on tax revenue from natural resource extraction: Alaska, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming. Falling oil and natural gas prices led to a combined \$6.7 billion less in severance tax revenue (http://www.governing.com/topics/finance/gov-oil-taxrevenue-states-finances.html) in these states over the past year. North Dakota (-\$1.5 billion) and Texas (-\$2.7 billion) accounted for most of the decline. And because the industry is so pervasive in these states, many also saw declines in sales, individual income, and corporate income taxes. Illinois, which reduced its income tax rate (http://www.revenue.state.il.us/Publications/Bulletins/2015/FY-2015-09.pdf) in January 2015, was the only non-resource-dependent state with a large total tax revenue decline. The largest increases in total tax revenues were in Iowa (15.4 percent) and Delaware (11.9 percent). Iowa saw large 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 tax (https://tax.iowa.gov/iowa-fuel-tax-rate-changes-effectivejuly-1-2015) in summer 2015 and consequently collected more revenue, but not as much new revenue was collected over the year from that tax than from the sales and income taxes. Delaware, which does not have a general sales tax, saw large growth in corporate income tax revenue because of strong returns filed in the second quarter of last year. Twenty-one other states and the District of Columbia (DC) also saw total tax revenue grow more than 5 percent.

## Sales Tax Revenue (inflation-adjusted, percent change year over year)

Real total state tax revenue increased 2.6 percent in the year ending in the first quarter of 2016 compared with one year earlier.



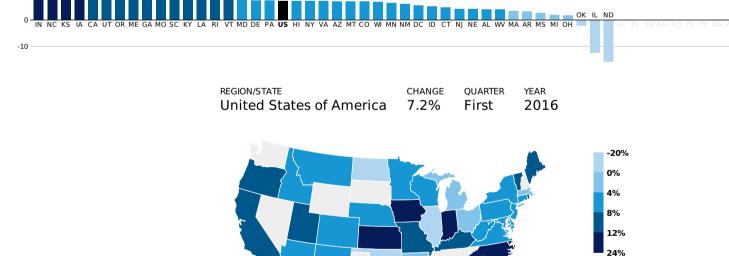
Source: US Census Bureau. (http://www.census.gov/govs/gtax/) Note: Four quarters ending in the first quarter of 2016 are compared with four quarters ending in the the first quarter of 2015.

Real general sales tax revenue increased nationally 2.6 percent in the year ending in the first quarter of 2016 compared with one year earlier. Among the 45 states with a general sales tax (http://www.urban.org/policycenters/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/salestaxes) revenue grew in all but eight states: Indiana, Louisiana, Michigan, Mississippi, Nebraska, North Dakota, Oklahoma, and Texas. The largest revenue declines were in North Dakota (-8.0 percent) and Oklahoma (-7.3 percent), two states with economies dependent on natural resources. The largest revenue increases were in

(https://dom.iowa.gov/sites/default/files/documents/2016/04/march\_2016\_general\_fund\_receipts\_memo.pdf) (16.8 percent) and Maine (15.0 percent). These two states did not change their sales tax over the past two years. Overall, 10 states and DC saw sales tax revenue increase 5 percent or more.

## Personal Income Tax Revenue (inflation-adjusted, percent change year over year)

Real total state tax revenue increased 7.2 percent in the year ending in the first quarter of 2016 compared with one year earlier.



No tax

Real individual income tax (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-

Source: US Census Bureau. (http://www.census.gov/govs/qtax/)
Note: Four quarters ending in the first quarter of 2016 are compared with four quarters ending in the the first quarter of 2015.

initiative/projects/state-and-local-backgrounders/individual-income-taxes) revenue increased nationally 7.2 percent in the year ending in the first quarter of 2016 compared with one year earlier. Thirty-eight of the 41 states with a broad-based income tax (New Hampshire taxes only interest and dividends, and Tennessee taxes only bond interest and stock dividends) had real revenue increase over the year. The three states with decreased revenue were North Dakota (-15.7 percent), Illinois (-12.4 percent), and Oklahoma (-1.4 percent). North Dakota's economy is suffering from falling natural resource prices. Illinois cut income taxes in January 2015 (http://www.revenue.state.il.us/Publications/Bulletins/2015/FY-2015-09.pdf), when a temporary tax hike expired and its single rate fell from 5 percent to 3.75 percent. Oklahoma's revenue was affected by both natural resource price declines and recent tax cuts (http://www.taxpolicycenter.org/taxvox/oklahoma-pullstrigger-unaffordable-tax-cut). The largest increases in individual income tax revenue were in Indiana (20.6 percent), North Carolina (16.8 percent), and Kansas (14.8 percent). Both Indiana (http://www.in.gov/dor/taxdispatch/jan2015/tax-dispatch-jan-2015.pdf) and North Carolina (http://www.dor.state.nc.us/taxes/individual/ind\_whatsnew.html) cut income tax rates at the beginning of 2015. Kansas tax rates (http://www.ksrevenue.org/taxrates.html) also fell in 2015 as part of previously passed tax cut legislation (http://taxvox.taxpolicycenter.org/2015/06/12/how-would-the-kansas-senate-closethe-states-budget-gap-mostly-by-taxing-poor-people/). However, unlike Indiana and North Carolina, the reason Kansas had an increase this past year is its revenue fell so significantly the year before. Comparing Kansas's most recent four quarters (the second quarter of 2015 through the first quarter of 2016) with data

from two years ago (the second quarter of 2014 through the first quarter of 2015), the state's income tax

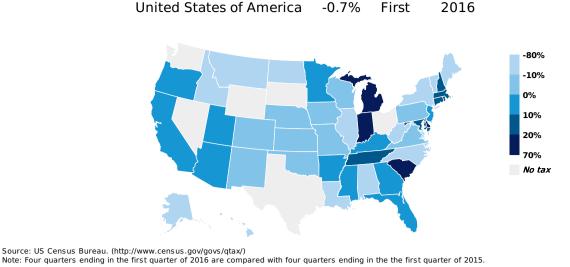
revenue is down more than 20 percent.

Corporate Income Tax Revenue (inflation-adjusted, percent change year over year)

REGION/STATE

Real total state tax revenue decreased 0.7 percent in the year ending in the first quarter of 2016 compared with one year earlier.





CHANGE

QUARTER

YEAR

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) declined nationally 0.7 percent over

the four quarters that concluded in March 2016 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 75.6 percent decline in Alaska to a 68.4 percent increase in Delaware. Twenty-one 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.