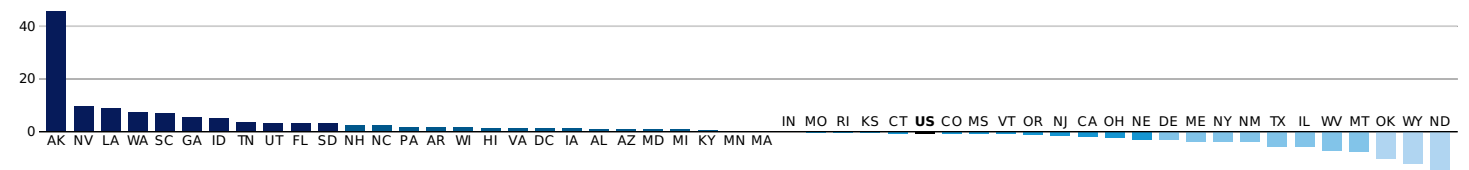


TAXES

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.

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

Real total state tax revenue decreased 0.8 percent in the year ending in the fourth quarter of 2016 compared with one year earlier.

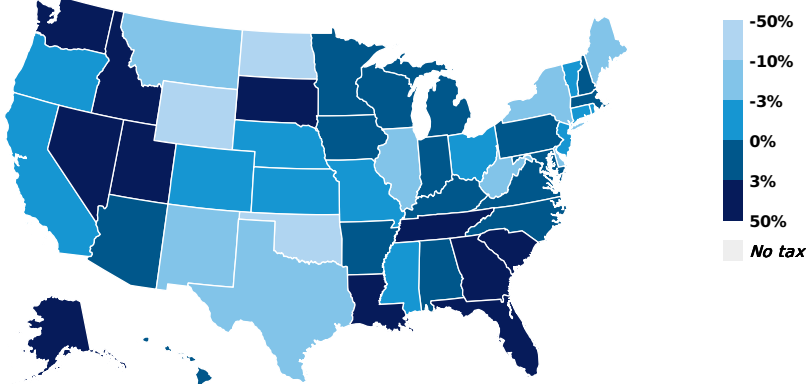


REGION/STATE
United States of America

CHANGE
-0.8%

QUARTER
Fourth

YEAR
2016

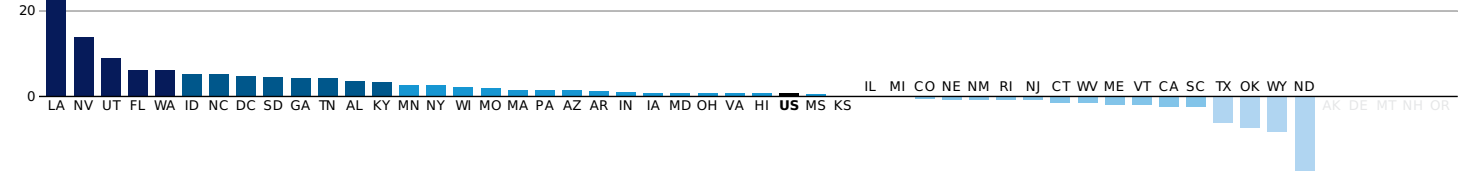


Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the fourth quarter of 2016 are compared with four quarters ending in the the fourth quarter of 2015.

National state tax revenue (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues>) decreased 0.8 percent in real terms during the four quarters of 2016 compared with one year earlier. Tax revenue still increased nominally over the year (0.4 percent). The final quarter of 2016 was the second consecutive quarter (<http://apps.urban.org/features/state-economic-monitor/historical.html>) that real national state tax revenue declined. This is consistent with many states reporting (<http://www.nasbo.org/mainsite/reports-data/fiscal-survey-of-states>) that total revenue for fiscal year 2017 (which began in July 2016 for most states) is coming in below estimates. Overall, 23 states had lower real tax revenues in calendar year 2016 than in 2015. The largest decline was in North Dakota (-26.1 percent). Other states that rely heavily on natural resource extraction taxes (such as Wyoming, Oklahoma, and West Virginia) continued to experience large declines as well. Some non-resource-dependent states, such as Illinois, Maine, Montana, and New York, however, also saw real tax revenue declines greater than 3.0 percent, mostly because of declines in income tax revenues (though only Maine (<http://www.maine.gov/revenue/rules/legischange16.htm#individual>) enacted income tax cuts last year). The state with the largest real tax revenue growth was Alaska (45.6 percent). This reflects changes to tax credit rules (<http://gov.alaska.gov/newsroom/2016/06/governor-walker-vetoes-1-29-billion-to-preserve-state-savings/>)that helped raise revenues after years of precipitous decline. Even with that recent increase, however, the state's total tax revenue in 2016 was only a quarter of what it was in 2013. The next highest real total tax revenue increases were in Nevada (9.7 percent) and Louisiana (9.1 percent). Higher sales tax revenue drove the total tax increase in both states (see below).

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

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

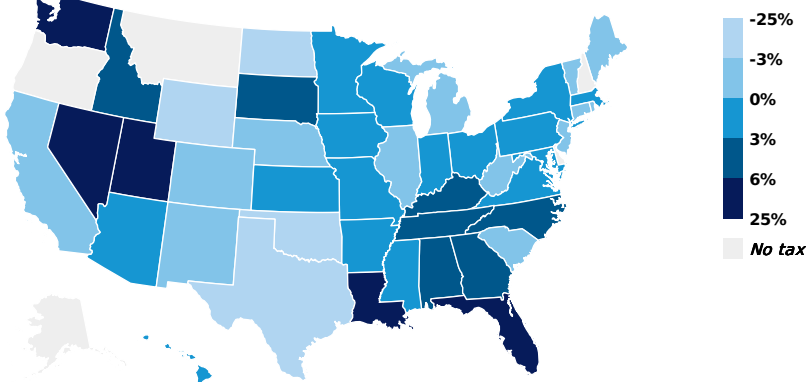


REGION/STATE
United States of America

CHANGE
0.7%

QUARTER
Fourth

YEAR
2016

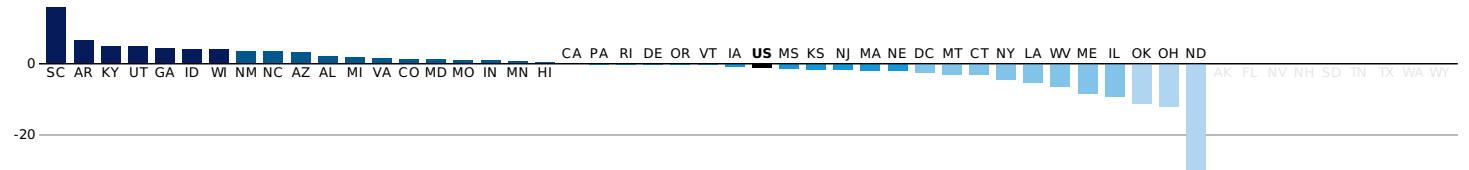


Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the fourth quarter of 2016 are compared with four quarters ending in the the fourth quarter of 2015.

National general sales tax revenue increased 0.7 percent in real terms for the year ending in the fourth quarter of 2016 compared with one year earlier. Among the 45 states that levy general sales tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/sales-taxes>), revenue declined in 17 states. The largest decline was in North Dakota (-22.8 percent); other resource-dependent states (such as Oklahoma, Texas, and Wyoming) also saw large drops in sales tax revenue. The largest sales tax revenue increases were in Louisiana (22.9 percent) and Nevada (13.9 percent). Last year Louisiana (http://lfo.louisiana.gov/files/revenue/2016_ES1_REC_bills.pdf) increased its sales tax rate from 4 percent to 5 percent and applied the tax to more purchases as a part of ongoing (http://www.theadvocate.com/baton_rouge/news/politics/legislature/article_2bfeb820-fb05-11e6-ae7a-6b9e7ca812cf.html) efforts to address its budget deficit. Nevada enacted a gross receipts tax (<https://tax.nv.gov/WelcometoCOM/>) as part of a larger education spending bill (http://gov.nv.gov/uploadedFiles/govnvgov/Content/News_and_Media/Press/2015_Images_and_Files/NevadaRevenuePlan.pdf) last year, and the US Census Bureau counts those receipts as sales tax revenue. Utah's sales tax revenue increased 9.0 percent over the year, but the state did not legislate any tax changes during the period.

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

Real total state tax revenue decreased 1.1 percent in the year ending in the fourth quarter of 2016 compared with one year earlier.

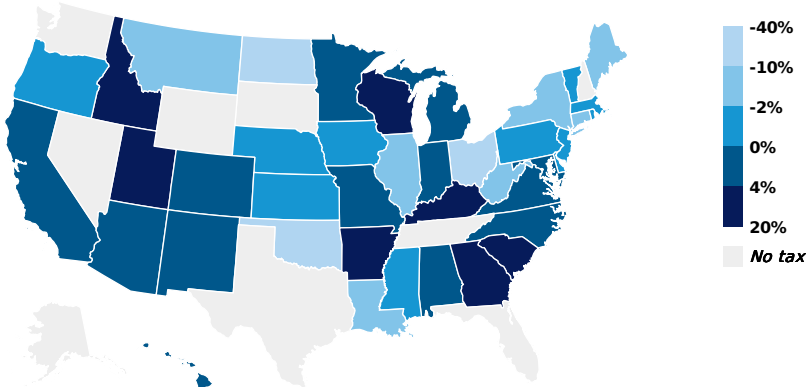


REGION/STATE
United States of America

CHANGE
-1.1%

QUARTER
Fourth

YEAR
2016



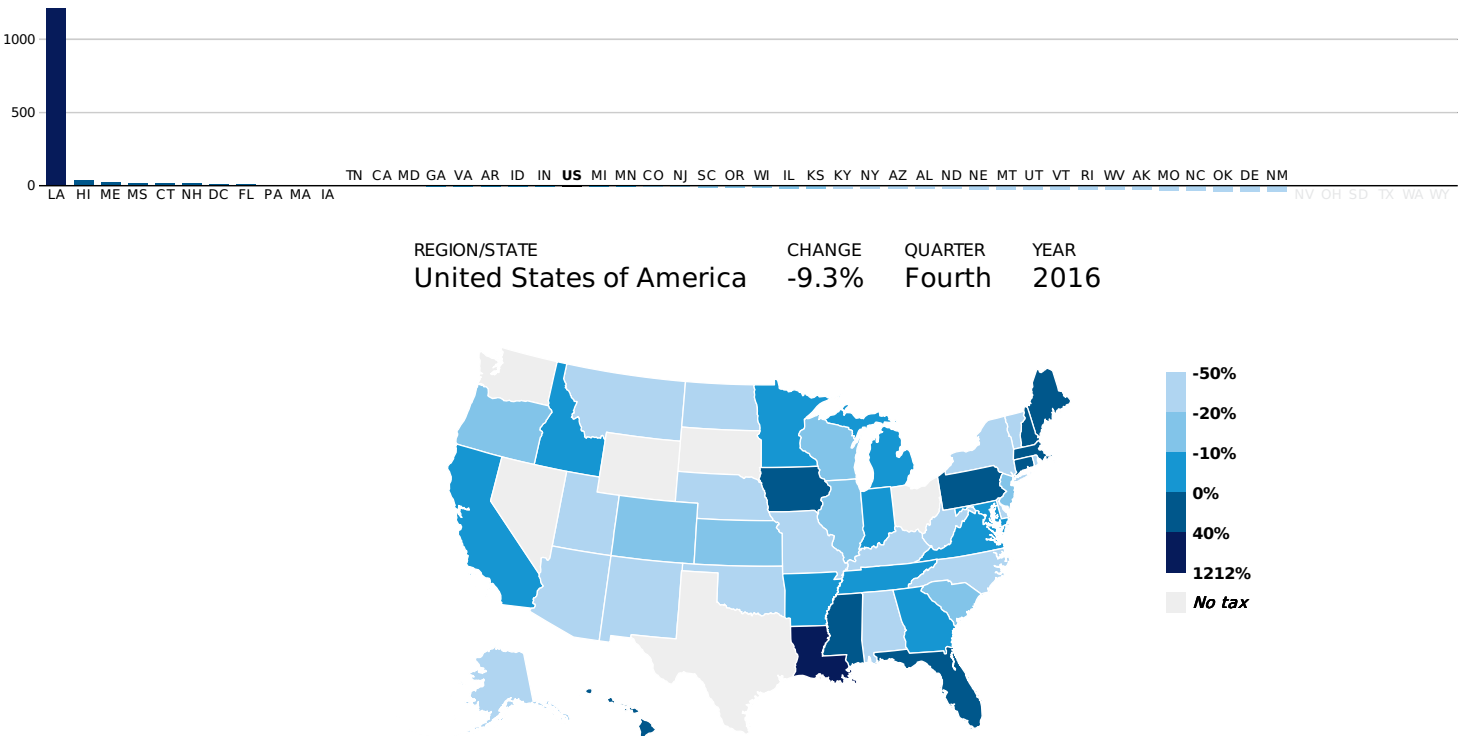
Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the fourth quarter of 2016 are compared with four quarters ending in the the fourth quarter of 2015.

National 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 declined nationally 1.1 percent in real terms during the year ending in the fourth quarter of 2016 compared with one year earlier. State income tax revenue may be down in part because of high-income taxpayers delaying capital gain realizations from 2016 in anticipation of lower federal tax rates (http://www.rockinst.org/pdf/government_finance/state_revenue_report/2017-03-09-srr_106.pdf) in 2017 (as the president and Congress have advocated).

Overall, the District of Columbia and 22 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 income tax revenue decreases over the year. The largest decline was in North Dakota (-38.6 percent), a state that cut tax rates ([https://www.nd.gov/tax/data/upfiles/media/Income Tax Newsletter \(January 2016\).pdf?20160920131512](https://www.nd.gov/tax/data/upfiles/media/Income_Tax_Newsletter_(January_2016).pdf?20160920131512)) and is struggling economically as oil and natural gas production falls. Individual income tax revenue fell more than 10.0 percent in Ohio (http://www.tax.ohio.gov/Portals/0/communications/news_releases/FilingseasonopensNR.pdf) and Oklahoma (<http://www.taxpolicycenter.org/taxvox/oklahoma-pulls-trigger-unaffordable-tax-cut>), two states that also recently cut income tax rates. The largest increase in income tax revenue was in South Carolina (15.8 percent). The state has not significantly changed its income tax system over the past two years, however.

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

Real total state tax revenue decreased 9.3 percent in the year ending in the fourth quarter of 2016 compared with one year earlier.



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

National 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 9.3 percent in real terms over the four quarters that concluded in December 2016 compared with the previous year. In the 44 states with a broad-based corporate income tax (Nevada, Ohio, Texas, Washington, and Wyoming do not tax corporate income; South Dakota taxes only financial institutions), real revenue declined in 34 states. The largest decline was in New Mexico (-45.2 percent). State corporate income tax revenue is always volatile: profits fluctuate, the timing of tax payments change as states offer amnesty programs, and current profits can be offset against prior losses. But the largest increase compared with last year is off the chart: Louisiana’s corporate income tax revenue was 1,210.6 percent higher in 2016 than 2015 because of changes in state law. For much of 2015, the state paid more in credits (<https://www.businessreport.com/article/louisiana-corporate-franchise-tax-collections-back-black>) than it collected in tax revenue, reflecting corporate tax rules and declining prices for natural resources. The state passed reforms in 2016 (<https://www.legis.la.gov/legis/ViewDocument.aspx?d=985189>)that ensured the tax would bring in more revenue. Consequently, Louisiana collected roughly \$20 million in corporate income tax revenue in 2015 and \$270 million in 2016.

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.