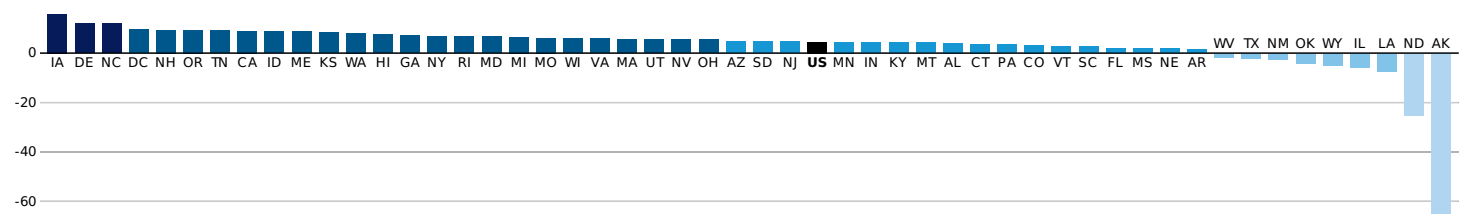


TAXES

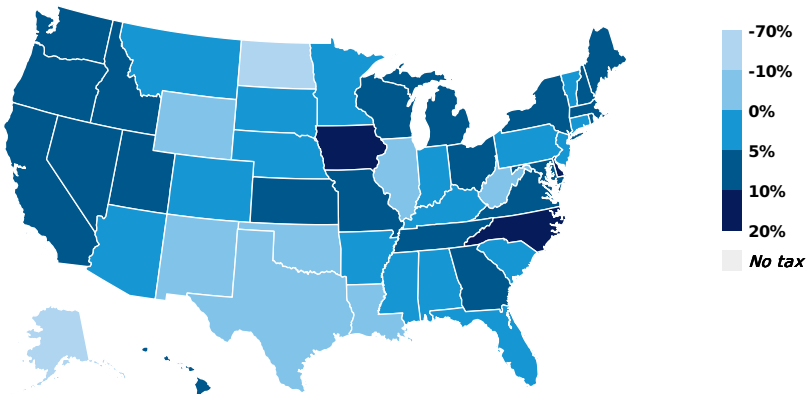
Examining inflation-adjusted total, sales, individual income, and corporate income tax revenue data for all 50 states and DC during the most recent four quarters compared with the previous four quarters.

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

Real total state tax revenue increased 4.5 percent in the year ending in the fourth quarter of 2015 compared with one year earlier.



REGION/STATE United States of America CHANGE 4.5% QUARTER Fourth YEAR 2015

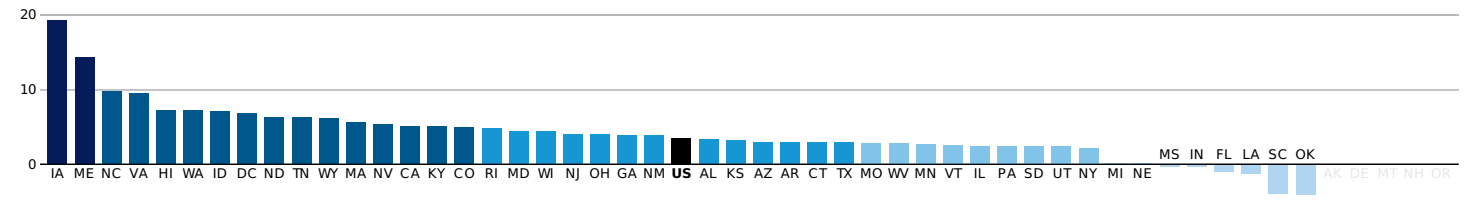


Source: US Census Bureau. (http://www.census.gov/govs/qtax/) Note: Four quarters ending in the fourth quarter of 2015 are compared with four quarters ending in the the fourth quarter of 2014.

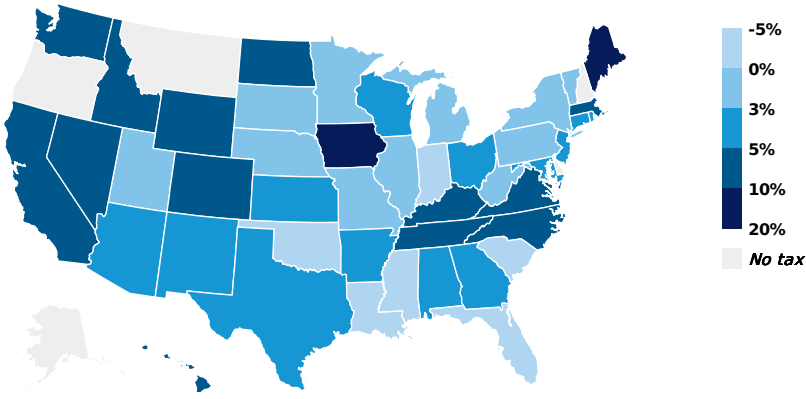
National real total state tax revenue (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues>) increased 4.5 percent in the year ending in the fourth quarter of 2015 compared with one year earlier. Total tax revenue increased over the past year in 41 states and the District of Columbia (DC). Of the nine states with revenue losses, eight (Alaska, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming) rely on natural resource extraction. The average price of oil in 2015 was half the price it was in 2014, severely affecting energy states. Related, Alaska, Louisiana, North Dakota, Oklahoma, West Virginia, and Wyoming were the only six states with total unemployment declines (<http://apps.urban.org/features/state-economic-monitor/employment.html>) over the past year. The largest revenue decline was in Alaska (-64.9 percent). 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 revenue decline. Meanwhile, Iowa’s 15.8 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>) in summer 2015 and consequently collected more revenue (but not as much new revenue as from the sales and income tax over the year). The next highest growth was in 11.9 percent in both Delaware and North Carolina. Overall, total tax revenue grew more than 5 percent in 24 states and DC.

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

Real total state tax revenue increased 3.5 percent in the year ending in the fourth quarter of 2015 compared with one year earlier.



REGION/STATE United States of America CHANGE 3.5% QUARTER Fourth YEAR 2015

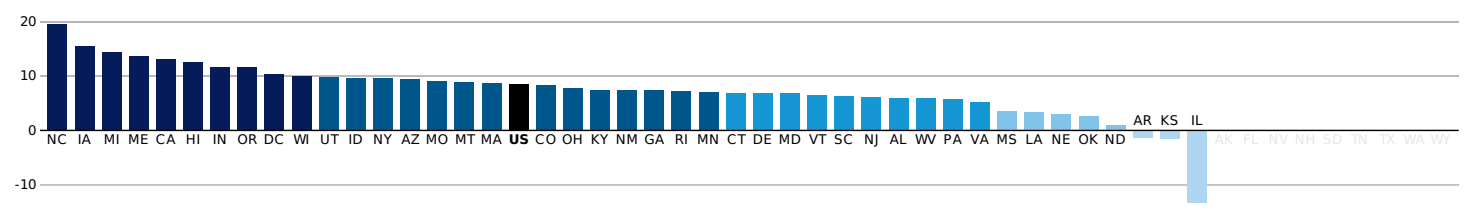


Source: US Census Bureau. (http://www.census.gov/govs/qtax/) Note: Four quarters ending in the fourth quarter of 2015 are compared with four quarters ending in the the fourth quarter of 2014.

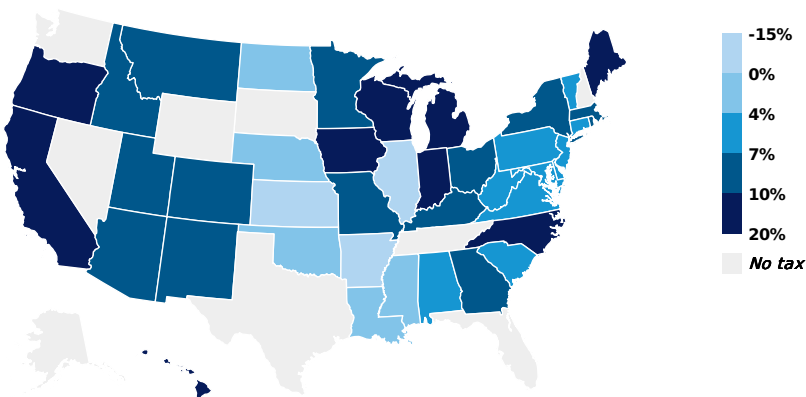
Real general sales tax revenue increased nationally 3.5 percent in the year ending in the fourth quarter of 2015 compared with one year earlier. Among the 45 states with a general sales tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/sales-taxes>) revenue grew in all but six states: Florida, Indiana, Louisiana, Mississippi, Oklahoma, and South Carolina. The largest revenue declines were in Oklahoma (-4.1 percent) and South Carolina (-3.9 percent). We do not know specifically what caused these declines—there were no rate decreases, for example—but South Carolina’s loss might be an accounting issue ([http://rfa.sc.gov/files/December 2015 General Fund Revenue Tables_0.pdf](http://rfa.sc.gov/files/December%202015%20General%20Fund%20Revenue%20Tables_0.pdf)). The largest revenue increases were in Iowa (<http://www.dom.state.ia.us/state/files/FY16/December2015GFR.pdf>) (19.3 percent) and Maine (14.3 percent). Neither state changed its sales tax rate over the past two years. Overall, tax revenue increased 5 percent or more in 15 states and DC.

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

Real total state tax revenue increased 8.5 percent in the year ending in the fourth quarter of 2015 compared with one year earlier.



REGION/STATE United States of America CHANGE 8.5% QUARTER Fourth YEAR 2015

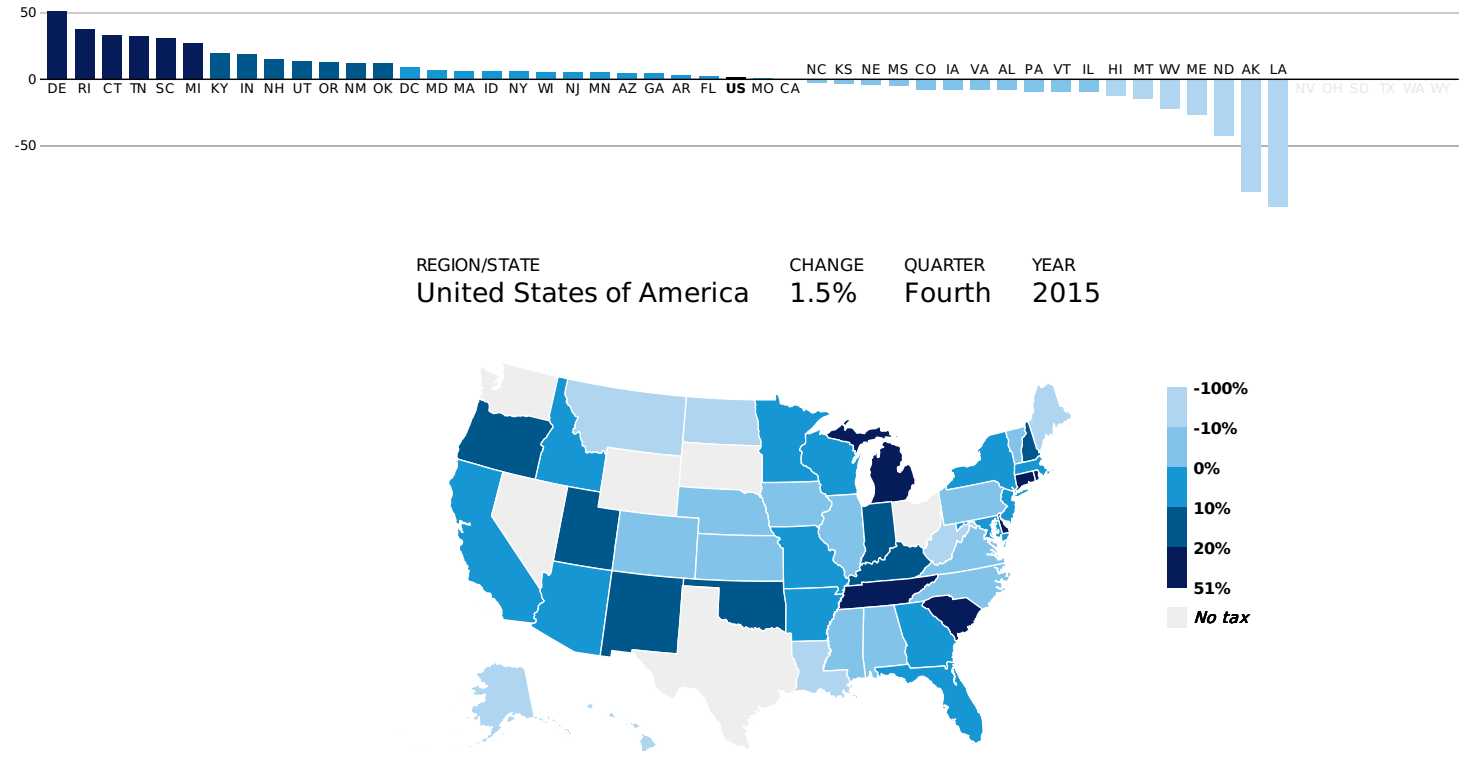


Source: US Census Bureau. (http://www.census.gov/govs/qtax/) Note: Four quarters ending in the fourth quarter of 2015 are compared with four quarters ending in the the fourth quarter of 2014.

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 8.5 percent in the year ending in the fourth quarter of 2015 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 Illinois (-13.4 percent), Kansas (-1.6 percent), and Arkansas (-1.4 percent). In January 2015 (<http://www.revenue.state.il.us/Publications/Bulletins/2015/FY-2015-09.pdf>), a temporary tax hike expired in Illinois, and its rate fell from 5 percent to 3.75 percent. As a result, the state’s 2015 income tax revenue was \$2 billion lower than in 2014 (and the state still has not passed a budget (<http://www.governing.com/topics/politics/gov-illinois-bruce-rauner-budget.html>)). Arkansas cut its income tax (<http://www.arkleg.state.ar.us/assembly/2015/2015R/Fiscal%20Impacts/SB6-DFA4.pdf>) in 2015 and Kansas’s income tax rates fell (<http://www.ksrevenue.org/taxrates.html>) in 2015 as part of previously passed legislation (<http://taxvox.taxpolicycenter.org/2015/06/12/how-would-the-kansas-senate-close-the-states-budget-gap-mostly-by-taxing-poor-people/>). On the other side of the spectrum, North Carolina, a state that cut its income tax rate from 5.80 percent to 5.75 percent (http://www.dor.state.nc.us/taxes/individual/ind_whatsnew.html) at the beginning of 2015, saw its income tax revenue increase 19.6 percent over the year. Income tax revenue increased 10 percent or more in eight other states (California, Hawaii, Indiana, Iowa, Maine, Michigan, Oregon, and Wisconsin) and DC.

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

Real total state tax revenue increased 1.5 percent in the year ending in the fourth quarter of 2015 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the fourth quarter of 2015 are compared with four quarters ending in the the fourth quarter of 2014.

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>) increased nationally 1.5 percent over the four quarters that concluded in December 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 95.7 percent decline in Louisiana—the state is struggling with both low receipts from oil companies and owed tax subsidies (<http://www.reuters.com/article/us-louisiana-budget-politics-insight-idUSKCN0WA2OG>)—to a 50.9 percent increase in Delaware. Real corporate tax revenue increased over the past year in 26 states and DC. 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.