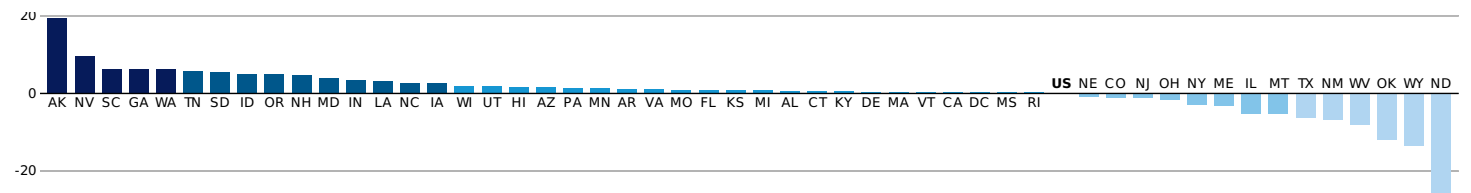


TAXES

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 0.1 percent in the year ending in the third quarter of 2016 compared with one year earlier.

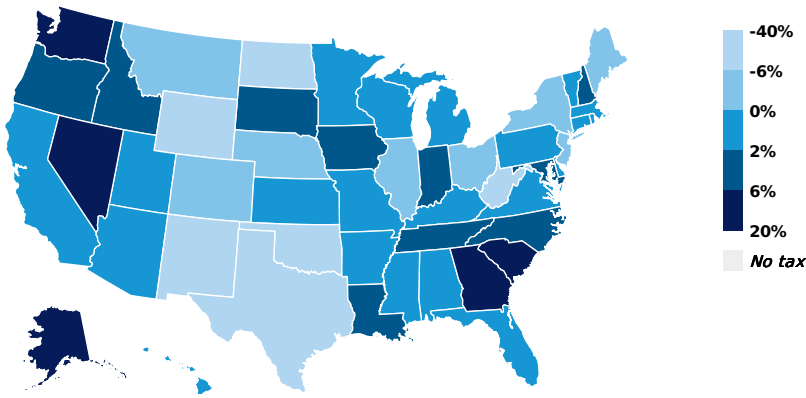


REGION/STATE
United States of America

CHANGE
-0.1%

QUARTER
Third

YEAR
2016

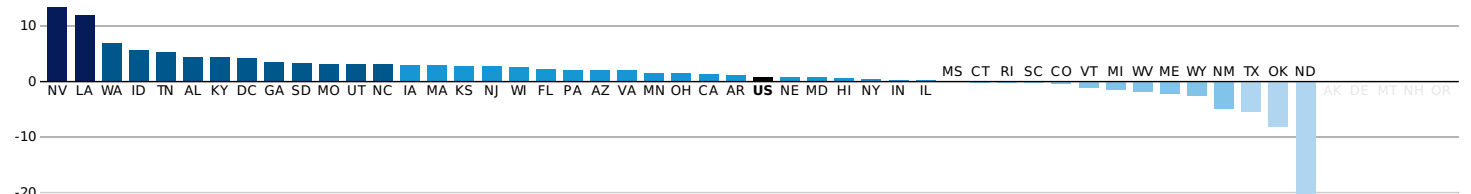


Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the third quarter of 2016 are compared with four quarters ending in the the third quarter of 2015.

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>) decreased 0.1 percent in the year ending in the third quarter of 2016 compared with one year earlier. This was the first quarter that real national state tax revenue declined since the second quarter of 2010 (<http://apps.urban.org/features/state-economic-monitor/historical.html>), though, revenue still increased nominally over the year. This drop follows many states reporting (<http://www.nasbo.org/mainsite/reports-data/fiscal-survey-of-states>) fiscal year 2017 revenue coming in below estimates. Overall, 14 states had lower real total tax revenues compared with the prior year. As we've seen over the past year (<http://apps.urban.org/features/state-economic-monitor/historical.html>), states that rely heavily on taxes on natural resource extraction (i.e., severance taxes) in particular continue to experience losses as oil and natural gas prices fall. New Mexico, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming all saw total state revenues drop over the past year. And because the natural resource industry is so pervasive in these states, many also saw declines in sales, individual income, and corporate income taxes. The state with the largest real tax revenue growth was also resource dependent: Alaska (19.4 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 revenue, but also that Alaska's revenues finally bottomed out after a few years of precipitous decline: the state's total tax revenue over the past four quarters is only a fifth of what is was in 2013. After Alaska, four additional states had tax revenue increases of more than 6.0 percent: Georgia, Nevada, South Carolina, and Washington. Increased sales tax revenue mostly drove gains in Nevada and Washington, while increased income tax revenue was the main driver in Georgia and South Carolina. All those states, except Nevada (see next section), did not significantly change their tax laws over the past year.

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

Real total state tax revenue increased 0.9 percent in the year ending in the third quarter of 2016 compared with one year earlier.

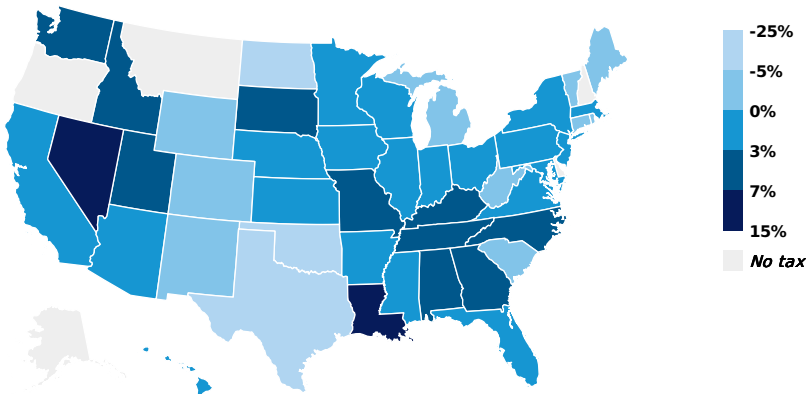


REGION/STATE
United States of America

CHANGE
0.9%

QUARTER
Third

YEAR
2016

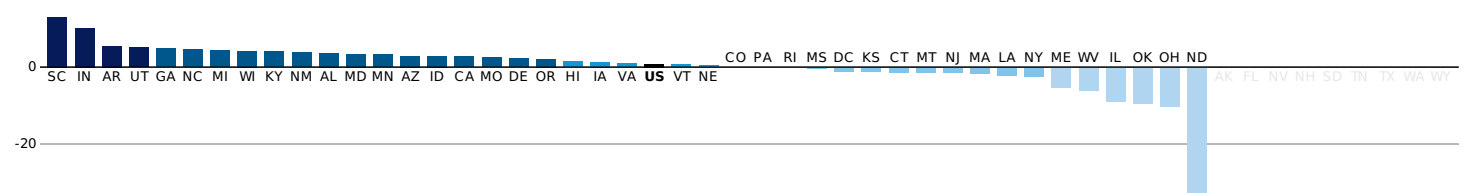


Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the third quarter of 2016 are compared with four quarters ending in the the third quarter of 2015.

Real general sales tax revenue increased nationally 0.9 percent in the year ending in the third quarter of 2016 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 declined in 13 states. The largest decline was in North Dakota (-21.6 percent); other resource-dependent states (Oklahoma, Texas, and New Mexico) also saw large revenue drops. The largest sales tax revenue increase—13.5 percent—was in Nevada. The state 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 Census Bureau counts these tax receipts as sales tax revenue. Louisiana's sales tax revenue increased 11.9 percent over the year, in part because it increased its sales tax rate 1.0 percentage point (<http://revenue.louisiana.gov/LawsPolicies/RIB16-013.pdf>) in April. No other states saw sales tax revenue increase more than 7.0 percent.

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

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

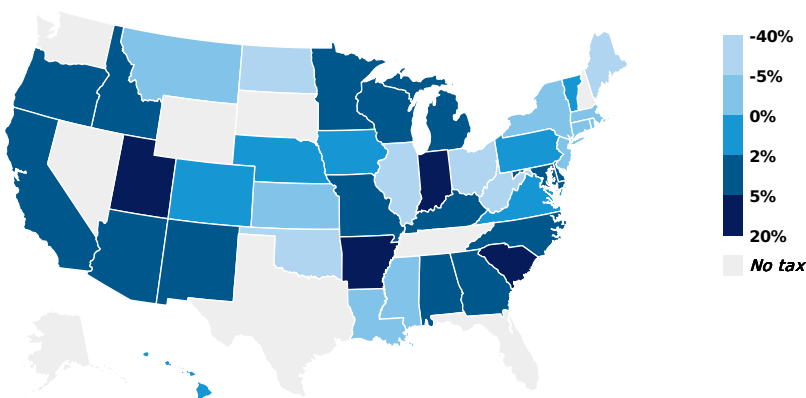


REGION/STATE
United States of America

CHANGE
0.8%

QUARTER
Third

YEAR
2016

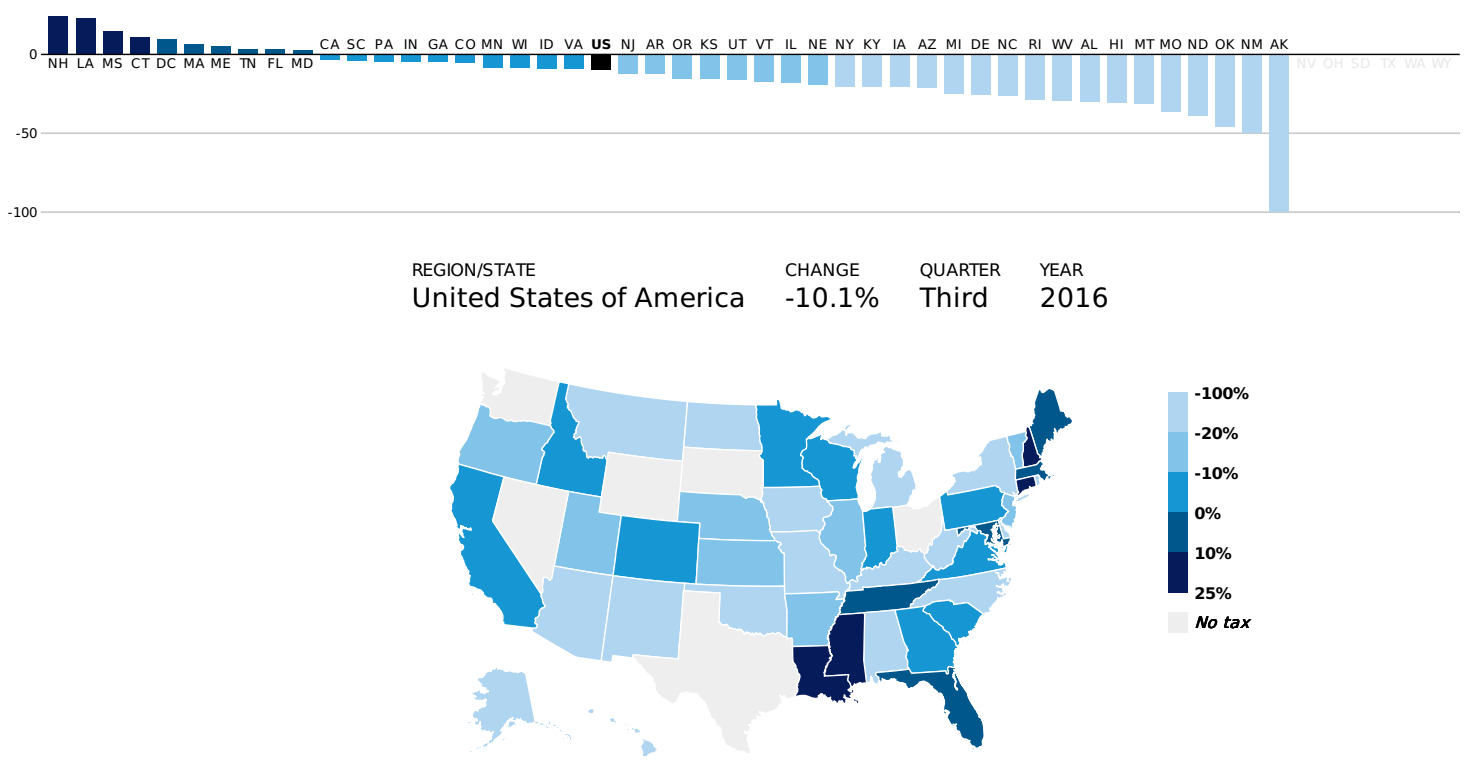


Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the third quarter of 2016 are compared with four quarters ending in the the third quarter of 2015.

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 1.5 percent in the year ending in the second quarter of 2016 compared with one year earlier. DC and 13 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 (-34.9 percent), a state that recently 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, taking wages and income down with it. Individual income tax revenue also fell 5 percent or more in Illinois, Iowa, Ohio, Oklahoma, and West Virginia. Three of these states, Illinois, 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>), all recently reduced income tax rates. The largest increases in individual income tax revenue were in Indiana (17.1 percent), Michigan (9.8 percent), and South Carolina (9.8 percent). None of those states significantly changed its income tax over the past two years.

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

Real total state tax revenue decreased 10.1 percent in the year ending in the third quarter of 2016 compared with one year earlier.



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

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 10.1 percent over the four quarters that concluded in September 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 taxes only financial institutions), real revenue changes ranged from a 99.7 percent decline in Alaska to a 24.1 percent increase in New Hampshire. Thirty-five states saw real revenue decreases over the past year. These data highlight the high volatility of state corporate income tax revenue: 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.