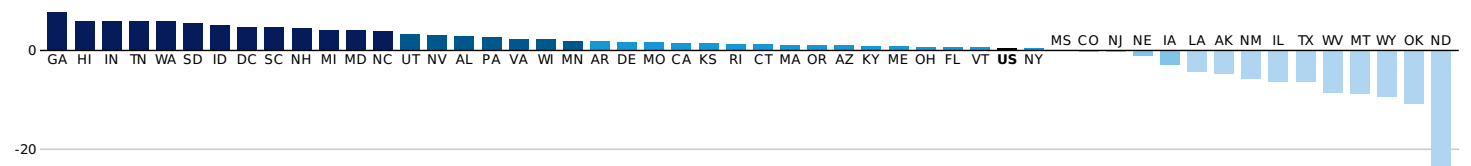


TAXES

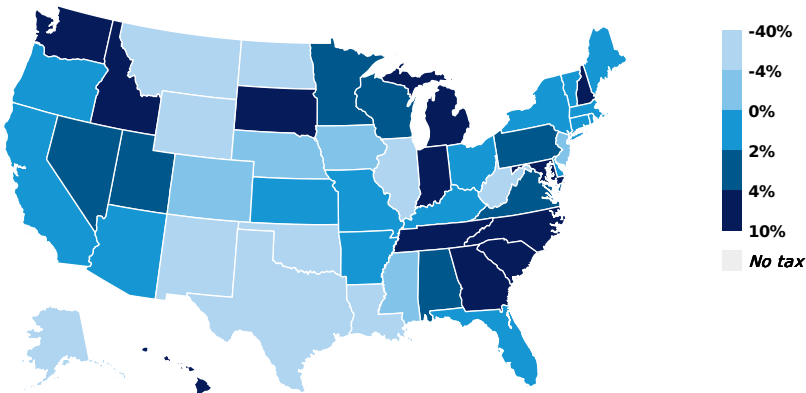
Examining inflation-adjusted total, sales, individual income, and corporate income tax revenue data for all 50 states and DC during the most recent four quarters compared with the previous four quarters.

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

Real total state tax revenue increased 0.5 percent in the year ending in the second quarter of 2016 compared with one year earlier.



REGION/STATE United States of America CHANGE 0.5% QUARTER Second YEAR 2016

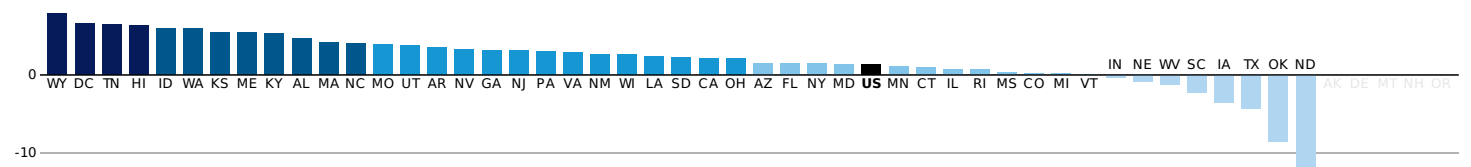


Source: US Census Bureau. (http://www.census.gov/govs/qtax/)
Note: Four quarters ending in the second quarter of 2016 are compared with four quarters ending in the the second quarter of 2015.

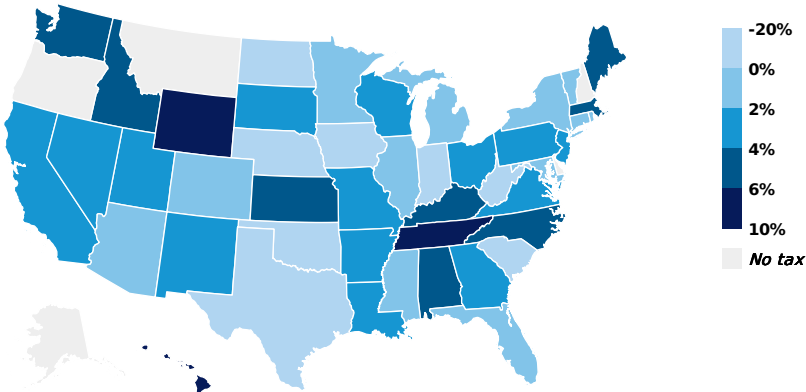
National real total state tax revenue (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues) increased 0.5 percent in the year ending in the second quarter of 2016—the end of the fiscal year for most states—compared with one year earlier. This was the first quarter since the fourth quarter of 2014 that national state tax revenue did not increase more than 1.0 percent compared with the previous year. The slow growth was anticipated: state forecasts for fiscal year 2016 estimated about 1.5 percent growth (http://www.urban.org/research/publication/prepping-new-session-end-summer-reading-state-budget-analysts-0). Among the states, changes in total tax revenue ranged from North Dakota’s 32.8 percent decrease to Georgia’s 7.9 percent increase. In total, 15 states had total tax revenue losses over the 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. Alaska, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming all saw total state revenue drop over the past year. And because the natural resource industry is so pervasive in those states, many also saw declines in sales, individual income, and corporate income taxes. The declines were especially large in North Dakota in part because lawmakers cut the state’s individual income tax and corporate income tax (https://www.nd.gov/tax/data/upfiles/media/Income%20Tax%20Newsletter%20(January%202016).pdf?20160920131512). 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. After Georgia, four states all had tax revenue increases of 6.0 percent: Hawaii, Indiana, Tennessee, and Washington. Increased sales tax revenue mostly drove gains in Hawaii, Tennessee, and Washington; increased income tax revenue was the main driver in Georgia and Indiana. None of those states significantly changed their tax laws over the past year.

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

Real total state tax revenue increased 1.3 percent in the year ending in the second quarter of 2016 compared with one year earlier.



REGION/STATE United States of America CHANGE 1.3% QUARTER Second YEAR 2016

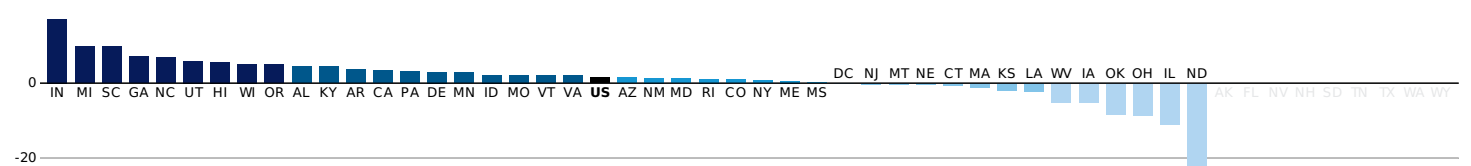


Source: US Census Bureau. (http://www.census.gov/govs/qtax/)
Note: Four quarters ending in the second quarter of 2016 are compared with four quarters ending in the the second quarter of 2015.

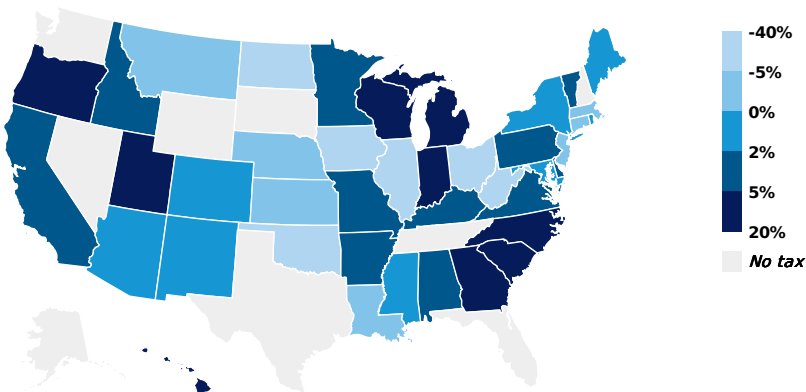
Real general sales tax revenue increased nationally 1.3 percent in the year ending in the second quarter of 2016 compared with one year earlier. Among the 45 states with a general sales tax (http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/sales-taxes) revenue grew in all but eight states: Indiana, Iowa, Nebraska, North Dakota, Oklahoma, South Carolina, Texas, and West Virginia. The largest revenue declines were in North Dakota (-16.5 percent), Oklahoma (-8.5 percent), and Texas (-4.3 percent), three states with economies dependent on natural resources. The largest sales tax revenue increase, however, was in Wyoming (7.9 percent), which is also resource dependent and had an overall tax revenue decline. In addition to Wyoming, sales tax revenue increased more than 6.0 percent in DC, Hawaii, and Tennessee.

Personal 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 second quarter of 2016 compared with one year earlier.



REGION/STATE United States of America CHANGE 1.5% QUARTER Second YEAR 2016

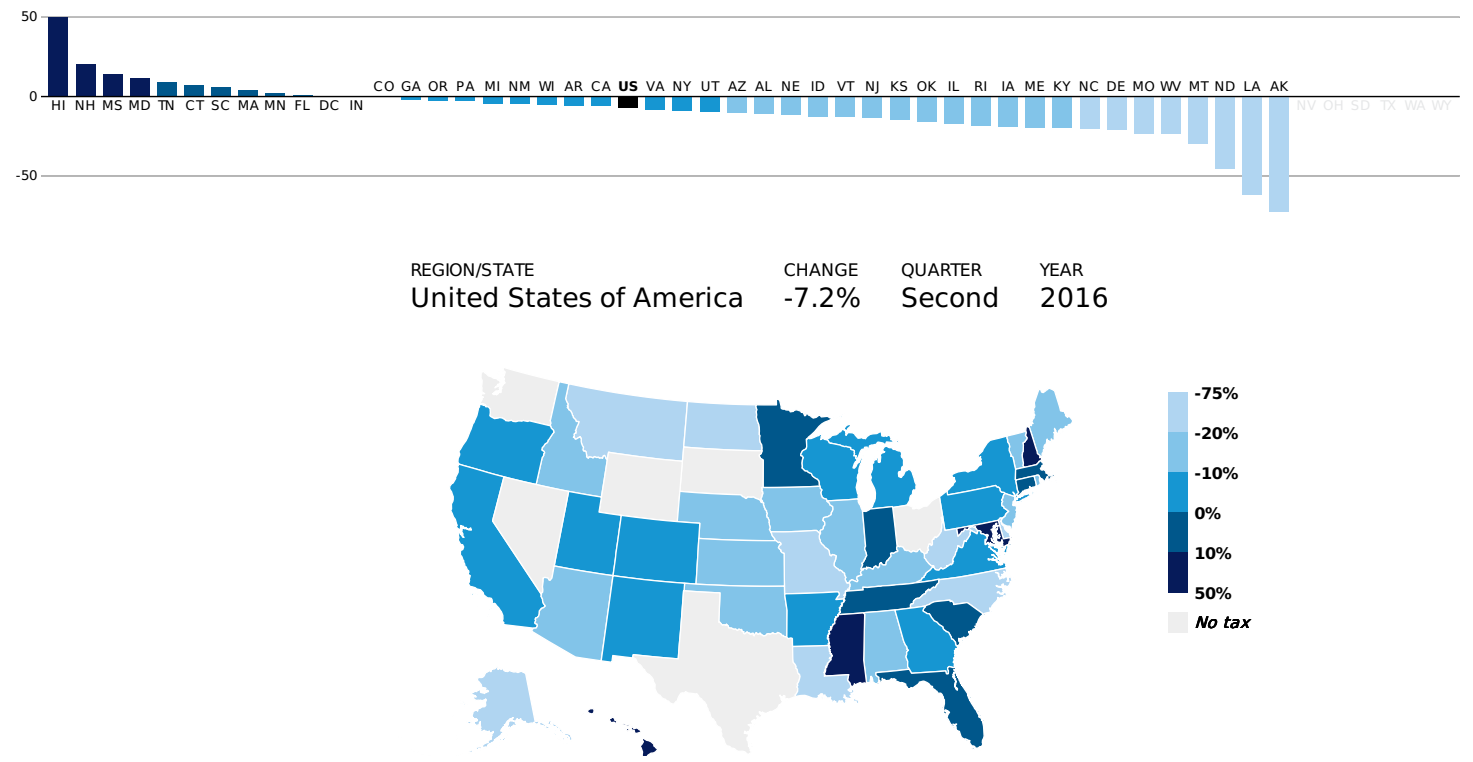


Source: US Census Bureau. (http://www.census.gov/govs/qtax/)
Note: Four quarters ending in the second quarter of 2016 are compared with four quarters ending in the the second quarter of 2015.

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) 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 7.2 percent in the year ending in the second quarter of 2016 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the second quarter of 2016 are compared with four quarters ending in the the second 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 7.2 percent over the four quarters that concluded in June 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 72.5 percent decline in Alaska to a 49.8 percent increase in Hawaii. Thirty-three states saw real revenue decreases 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.