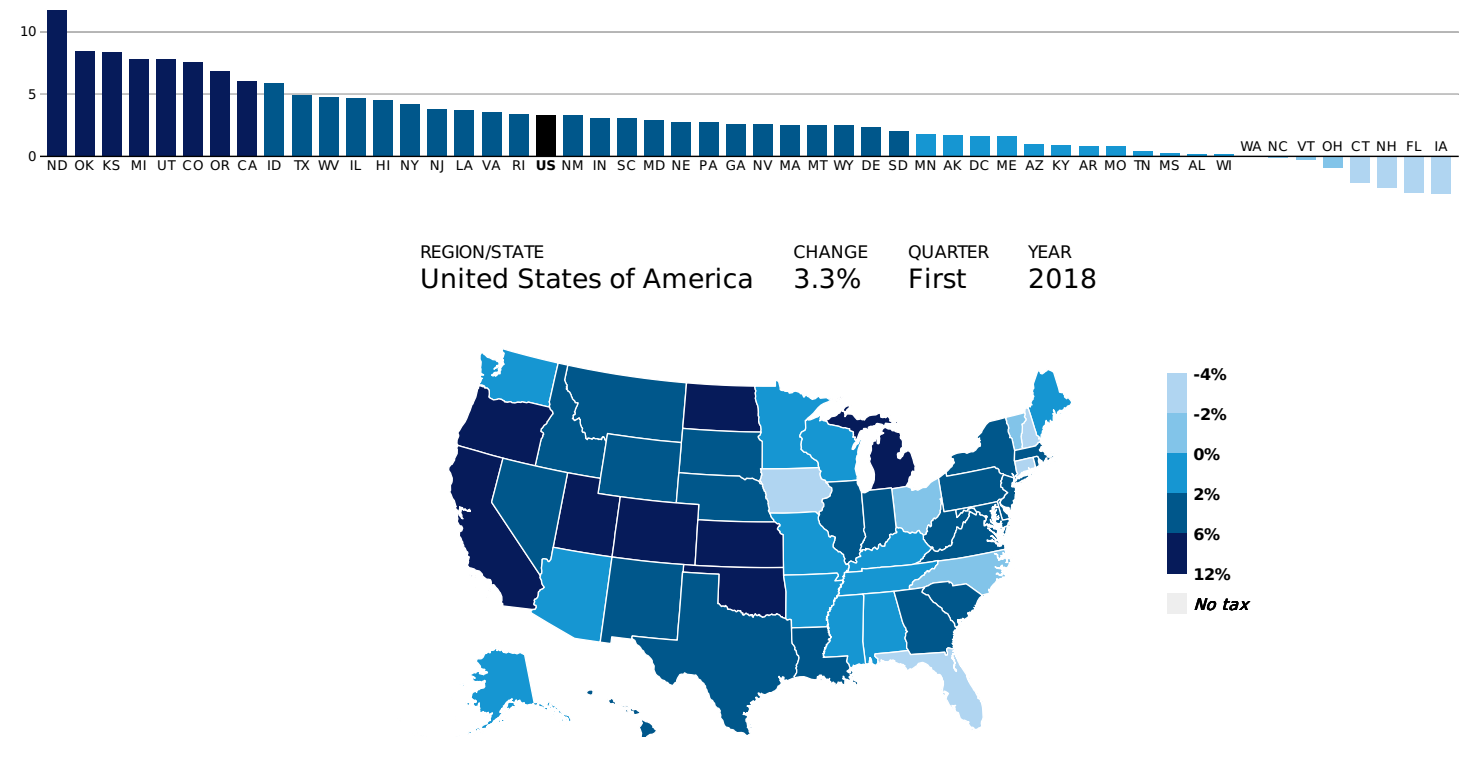


TAXES

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 3.3 percent in the year ending in the first quarter of 2018 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the first quarter of 2018 are compared with four quarters ending in the the first quarter of 2017.

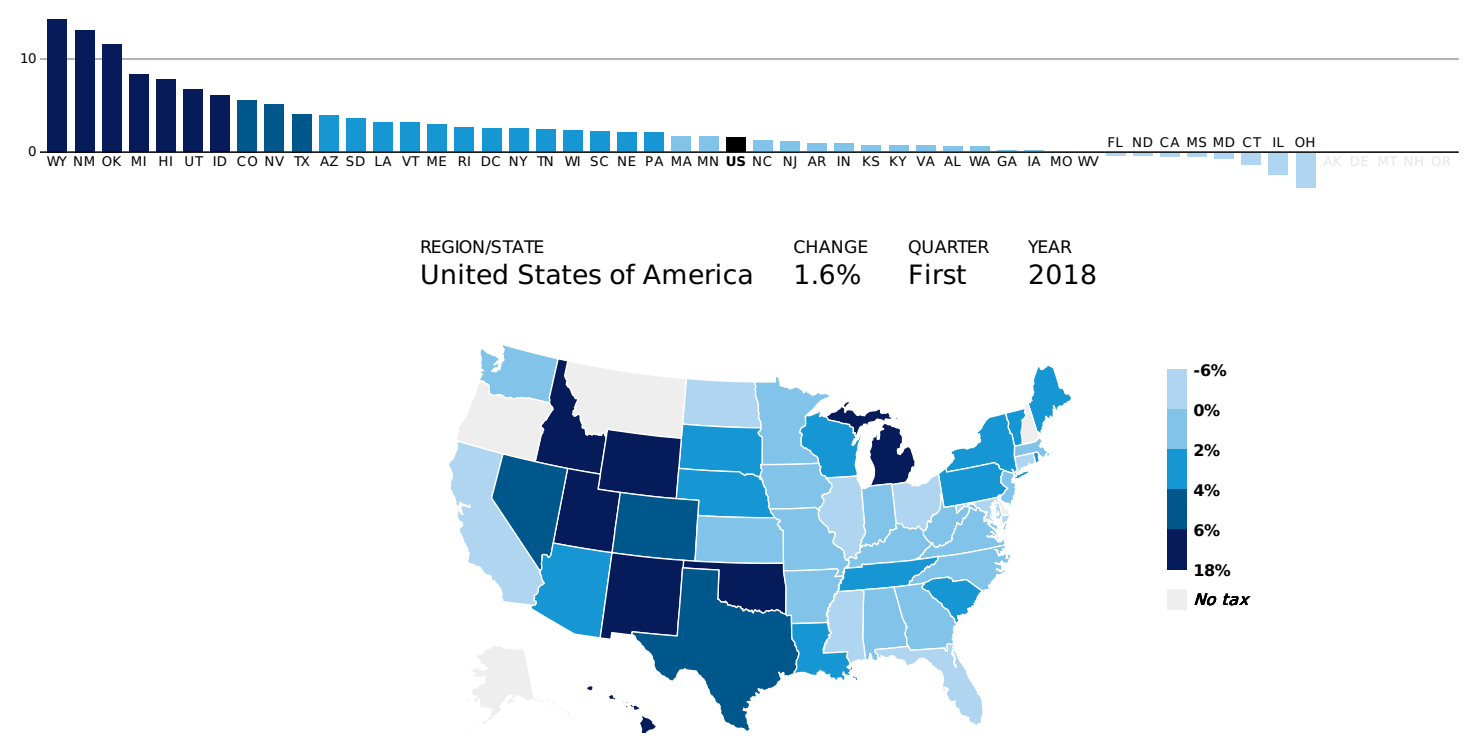
Total state tax revenue (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues/>) increased 1.6 percent in real terms during the year ending in the fourth quarter of 2017 compared with the previous yearlong period.

Total real tax revenues increased in 38 states and the District of Columbia. The largest increase was in Alaska (16.0 percent), due mainly to rebounding severance tax revenue (<https://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/severance-taxes/>) (although those revenues remain well below their 2014 levels). The next largest real total tax revenue increases were in Louisiana (8.8 percent), North Dakota (6.9 percent), and California (5.1 percent). Louisiana's increase came mostly from sales taxes, while California and North Dakota's gains were from higher income tax revenue.

The largest declines in real total tax revenue were in Florida (-10.4 percent), New Hampshire (-7.2 percent), and Iowa (-6.7 percent). In total, real total tax revenues fell in 12 states. Florida's revenue decline was mostly from lower sales tax collections, as were declines in Illinois, Mississippi, and South Carolina. New Hampshire, which does not have a state personal income tax or general sales tax, saw declines in corporate income tax revenue. Meanwhile, Iowa's lower revenues were spread across sales, income, and corporate income taxes.

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

Real total state tax revenue increased 1.6 percent in the year ending in the first quarter of 2018 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the first quarter of 2018 are compared with four quarters ending in the the first quarter of 2017.

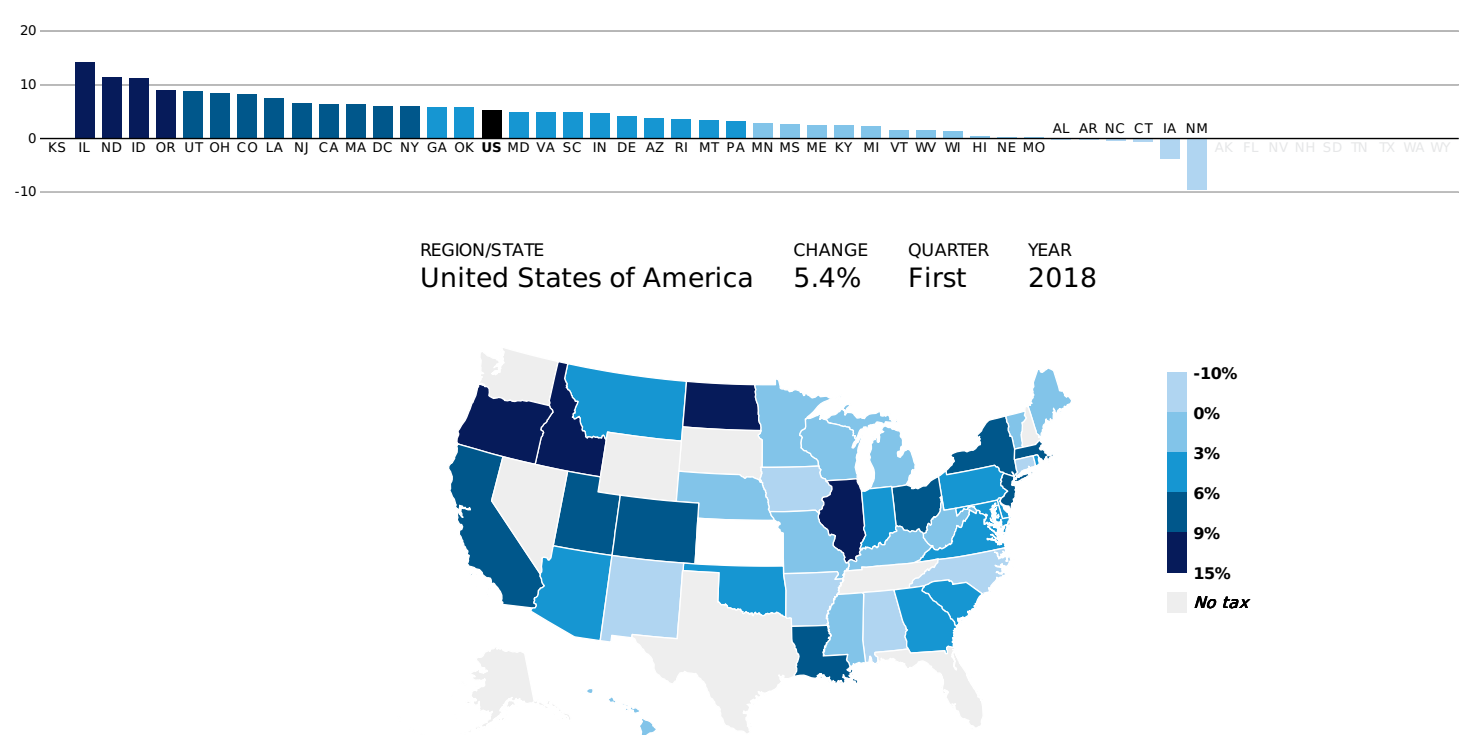
Total individual income tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/individual-income-taxes/>) revenue increased 3.6 percent in real terms during the year ending in the fourth quarter of 2017 compared with the previous four quarters.

Among the 36 states that saw real increases in individual income tax revenues, Kansas saw the largest growth at 11.0 percent. In June 2017, Kansas (<http://www.taxpolicycenter.org/taxvox/what-kansas-tax-cut-about-face-means/>) reversed some the tax cuts it passed in 2012. Eight additional states also saw real income tax revenue increase more than 5.0 percent: Arizona, California, Connecticut, Idaho, New Jersey, North Dakota, Ohio, and Oklahoma. None of these states recently enacted major income tax changes.

Only five of the 41 states with broad-based income taxes experienced real income tax revenue declines over the year: Iowa (-5.6 percent), North Carolina (-3.5 percent), Arkansas (-3.0 percent), Nebraska (-1.6 percent), and Missouri (-0.5 percent). Iowa and Nebraska have not significantly changed their income taxes in recent years, while Arkansas (<http://www.arkleg.state.ar.us/Bills/2017R/Public/HB1159.pdf>), Missouri (http://www.stltoday.com/news/local/govt-and-politics/in-missouri-tax-cuts-are-on-the-way/article_7dd67c7a-1c69-5a93-a173-34a77969ba19.html), and North Carolina (<https://www.ncdor.gov/tax-rate-schedules/>) have cut taxes (Missouri and North Carolina's cuts were triggered from legislation passed a few years ago).

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

Real total state tax revenue increased 5.4 percent in the year ending in the first quarter of 2018 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the first quarter of 2018 are compared with four quarters ending in the the first quarter of 2017.

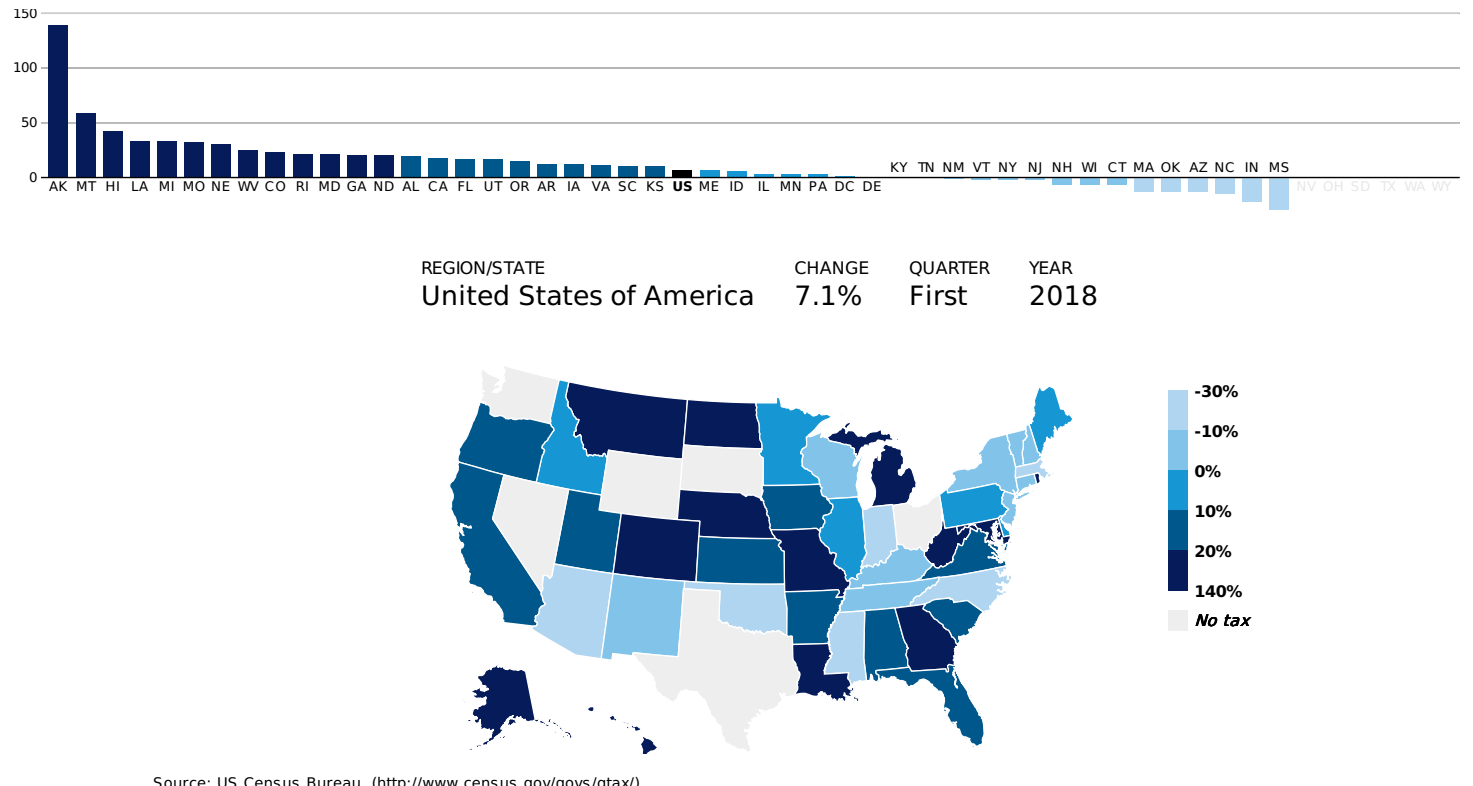
Total individual income tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/individual-income-taxes/>) revenue increased 5.4 percent in real terms during the year ending in the first quarter of 2018 compared with the previous four quarters.

Among the 35 states that saw real increases in individual income tax revenues, Kansas saw the largest growth at 24.1 percent. In June 2017, Kansas (<http://www.taxpolicycenter.org/taxvox/what-kansas-tax-cut-about-face-means/>) reversed some of the tax cuts it passed in 2012. Three additional states also saw real income tax revenue increase more than 10.0 percent: Idaho, Illinois, and North Dakota. Illinois (<https://www.taxpolicycenter.org/taxvox/dont-laugh-illinois-your-state-could-be-next>) increased its single income tax rate from 3.8 percent to 5.0 percent last summer, but the other two states did not raise their tax rates.

Only six of the 41 states with broad-based income taxes experienced real income tax revenue declines over the year. The largest drops were in New Mexico (-9.6 percent) and Iowa (-3.8 percent). Neither significantly changed their income taxes over the period, although Iowa (<https://href.ii/?https://www.desmoinesregister.com/story/news/politics/2018/05/05/republican-iowa-lawmakers-approve-massive-tax-cuts-reynolds-trump/583569002/>) passed a large individual income tax cut during this year's legislative session. The decline in individual income tax revenue was less than 1.0 percent in Alabama, Arkansas, Connecticut, and North Carolina.

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

Real total state tax revenue increased 7.1 percent in the year ending in the first quarter of 2018 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/qtax/>)
Note: Four quarters ending in the first quarter of 2018 are compared with four quarters ending in the the first quarter of 2017.

Total corporate income tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/corporate-income-taxes/>) revenue declined 2.2 percent in real terms over the year ending in the fourth quarter of 2017 compared with the previous year. Real revenue declined in 26 of the 44 states with a broad-based corporate income tax.

State corporate income tax revenue is always volatile: profits fluctuate, the timing of tax payments changes as states offer amnesty programs, and previous losses can offset current profits. The new federal tax law could also affect corporate actions and investments. Moreover, corporate income taxes raise relatively little revenue, so relatively small changes in absolute dollars can create dramatic percentage changes.

All of this is evident in Alaska, which saw a 355 percent real increase in corporate tax revenue over the past year (from \$44 million to \$202 million). This increase was driven by an improving economy and changes to tax credit rules (<https://gov.alaska.gov/newsroom/2016/06/governor-walker-vetoes-1-29-billion-to-preserve-state-savings/>) that had previously kept revenue low (if not negative). The next largest increases were in Montana (36.0 percent) and Missouri (32.6 percent).

Real corporate income tax revenue declined the most in Oklahoma (-42.7 percent), Arizona (-38.8 percent), and Florida (-22.0 percent). Eight other states experienced real corporate income tax revenue declines of 10.0 percent or more.

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