

# 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 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 0.3 percent in real terms during the year ending in the third quarter of 2017 compared with the previous yearlong period.

The largest declines in real tax revenue were in New Hampshire (-8.7 percent), Wyoming (-8.0 percent), and Iowa (-6.4 percent). In total, real tax revenues fell in 25 states for a variety of reasons. New Hampshire, which does not have a state personal income tax or general sales tax, saw declines in corporate income tax revenue, while Wyoming’s decline was largely caused by declines in severance tax (<https://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/severance-taxes>) revenue. Meanwhile, Illinois and North Dakota saw large declines in sales tax revenue, Nebraska and New Mexico saw large declines in individual income tax revenue, and Iowa suffered large declines in both.

Total real tax revenues increased in half the states and grew the most in Utah (9.9 percent) and Louisiana (9.6 percent). Both states experienced growth mainly because of increased sales tax revenues. Alaska, the District of Columbia, Ohio, and Washington also had total tax revenue increases of more than 3.0 percent.

Total general sales tax revenue increased 0.2 percent in real terms for the year ending in the third quarter of 2017 compared with the previous four quarters. Revenue declined in 16 of the 45 states that levy a general sales tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/sales-taxes>). The largest declines were in North Dakota (-11.1 percent), Illinois (-9.3 percent), Iowa (-9.2 percent), and South Carolina (-8.9 percent). None of these states recently decreased their sales tax rates, so declines are related to lower in-state sales.

Sales tax revenue increased the most in Louisiana (23.1 percent), which raised its sales tax rate (<http://revenue.louisiana.gov/LawsPolicies/RIB16-013.pdf>) from 4 to 5 percent and made more purchases taxable in April 2016. Utah’s general sales tax revenue increased over 20.2 percent despite making no changes to its tax. Sales tax revenue also increased more than 5.0 percent in the District of Columbia, Ohio, and South Dakota. South Dakota ([http://dor.sd.gov/Taxes/Business\\_Taxes/HB1182.aspx](http://dor.sd.gov/Taxes/Business_Taxes/HB1182.aspx)) increased its rate from 4.0 percent to 4.5 percent in June 2016, but the District of Columbia and Ohio did not make major changes to their tax in the past year.

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 0.3 percent in real terms during the year ending in the third quarter of 2017 compared with the previous four quarters.

Overall, 20 of the 41 states with broad-based income taxes experienced real income tax revenue decreases over the year. The largest declines were in Iowa (-6.6 percent) and New Mexico (-5.2 percent). The declines were not related to policy changes because neither state made major changes to their tax over the past year.

Individual income tax revenue also fell more than 4.0 percent in Connecticut, Illinois, and Nebraska. None of these states passed income tax cuts over the period. Illinois (<http://www.taxpolicycenter.org/taxvox/dont-laugh-illinois-your-state-could-be-next>) increased its income tax rate in July after a long struggle with budget problems, and Connecticut (<http://www.ctpost.com/local/article/Senate-approves-budget-33-3-12307380.php>) reduced its earned income tax credit (<https://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-earned-income-tax-credits>) this fall (among other tax changes) to address its own budget issues.

The largest increases in individual income tax revenues were in Idaho (8.1 percent), Kansas (6.0 percent), and Utah (5.4 percent). These were the only states that saw individual income tax collections increase more than 5.0 percent. In June, Kansas (<http://www.taxpolicycenter.org/taxvox/what-kansas-tax-cut-about-face-means>) reversed some the tax cuts passed in 2012. Idaho and Utah did not make any major changes to their income taxes.

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 2.9 percent in real terms over the year ending in the third quarter of 2017 compared with the previous year. Real revenue declined in 23 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 change as states offer amnesty programs, and prior losses can offset current profits. Uncertain but expected reforms to federal tax law could also affect corporate actions and investments. Further, corporate income taxes raise relatively little revenue, which means relatively small dollar changes can create dramatic percentage changes.

All of this is evident in Alaska, which saw an increase of over 17,000 percent over the past year as corporate tax revenues rose from \$1 million last year to \$140 million at the end of the third quarter of 2017. Both 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) contributed to the increase. Similarly, Hawaii’s real corporate income tax revenue increased 166.3 percent. The next highest increase was Maine’s 13.7 percent increase.

Real corporate income tax revenue declined the most in Oklahoma (-35.6 percent), North Dakota (-33.4 percent), and Arizona (-33.2 percent). Twelve other states experienced real corporate income tax revenue declines greater than 10.0 percent, including New Hampshire, where revenues fell 22.5 percent.