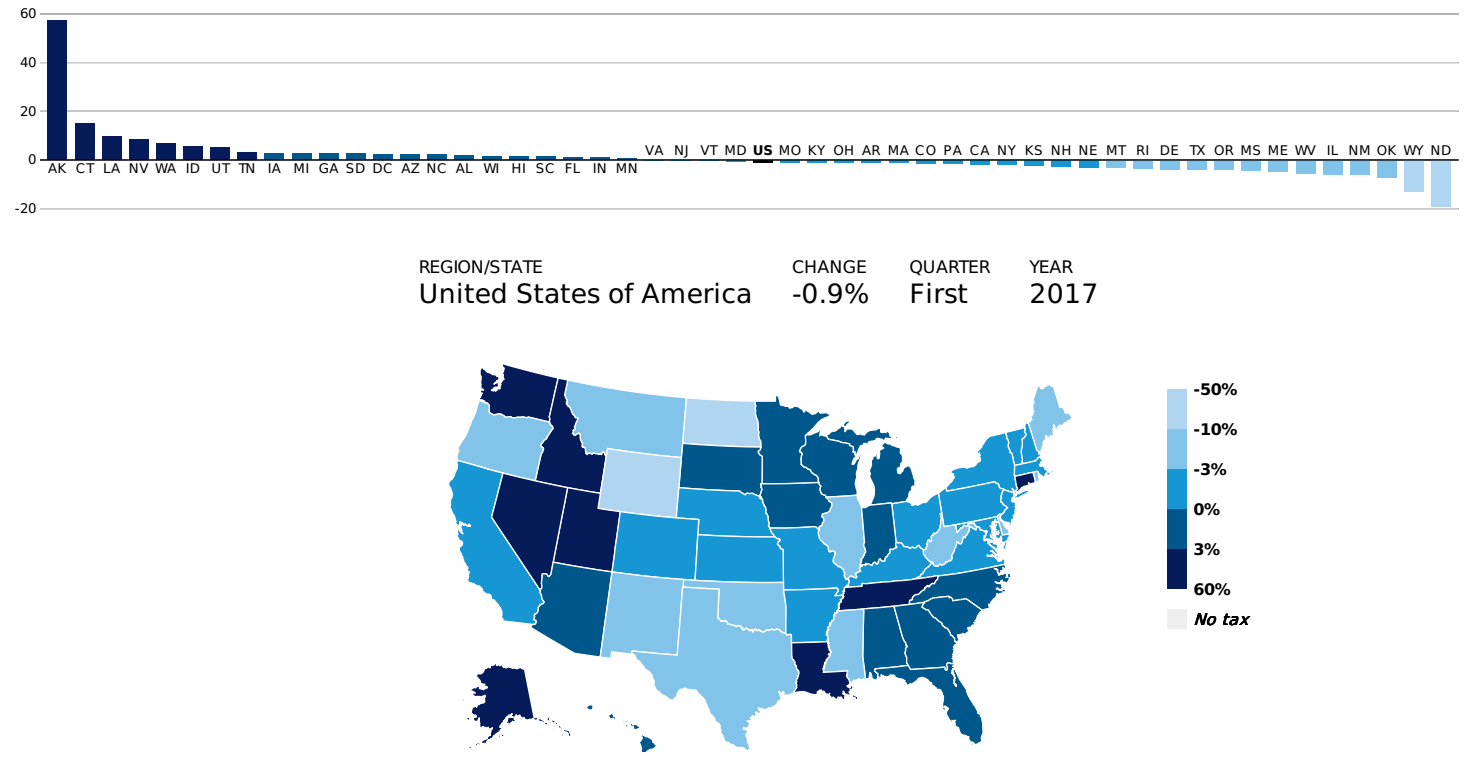


TAXES

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 0.9 percent in the year ending in the first quarter of 2017 compared with one year earlier.



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 0.9 percent in real terms in the year ending in the first quarter of 2017 compared with a year earlier. Tax revenue still increased nominally over the year (0.7 percent).

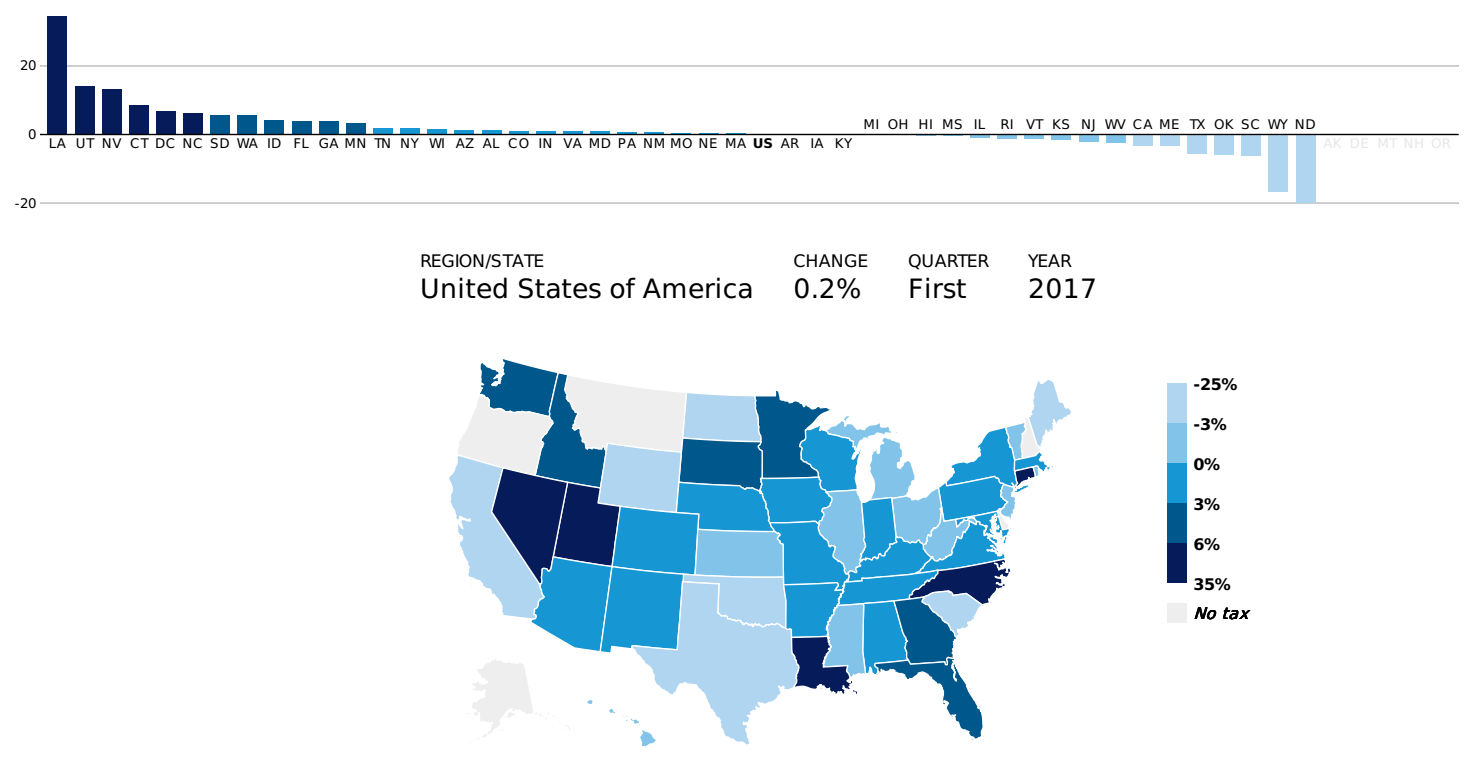
Real tax revenues fell in 29 states between the year ending in the first quarter of 2017 compared with a year earlier. The largest decline was in North Dakota (-19.2 percent). Other states that rely heavily on natural resource extraction taxes (such as Montana, New Mexico, Oklahoma, Texas, West Virginia, and Wyoming) also experienced large declines. Some non-resource-dependent states, such as Delaware, Illinois, Maine, Mississippi, Nebraska, Oregon, and Rhode Island, also saw real tax revenue declines exceeding 3 percent, mostly because of declines in income tax revenues.

Only two of these non-resource dependent states enacted 2015 or 2016 tax legislation (<http://www.ncsl.org/research/fiscal-policy/state-tax-actions-database.aspx>) cutting taxes. Delaware (<http://news.delaware.gov/2016/01/27/governor-signs-delaware-competes-act/>) passed income apportionment rules expected to reduce income tax receipts, while Maine (<http://www.maine.gov/revenue/rules/legischange16.htm#individual>) is phasing in a personal income tax cut.

Tax revenues grew in 21 states and the District of Columbia (DC). Alaska experienced the largest real tax revenue growth (57.3 percent), a result of changes to tax credit rules (<https://gov.alaska.gov/newsroom/2016/06/governor-walker-vetoes-1-29-billion-to-preserve-state-savings/>) that helped raise revenues after years of precipitous decline. Even with that recent increase, however, the state's total tax revenue in the year ending in the first quarter of 2017 was less than a quarter of the amount collected four years earlier. Connecticut (14.8 percent) and Louisiana (9.8 percent) also experienced large real revenue gains. Connecticut's gain was caused by higher income tax revenues, while Louisiana benefited from increased sales tax revenue (see below).

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

Real total state tax revenue increased 0.2 percent in the year ending in the first quarter of 2017 compared with one year earlier.

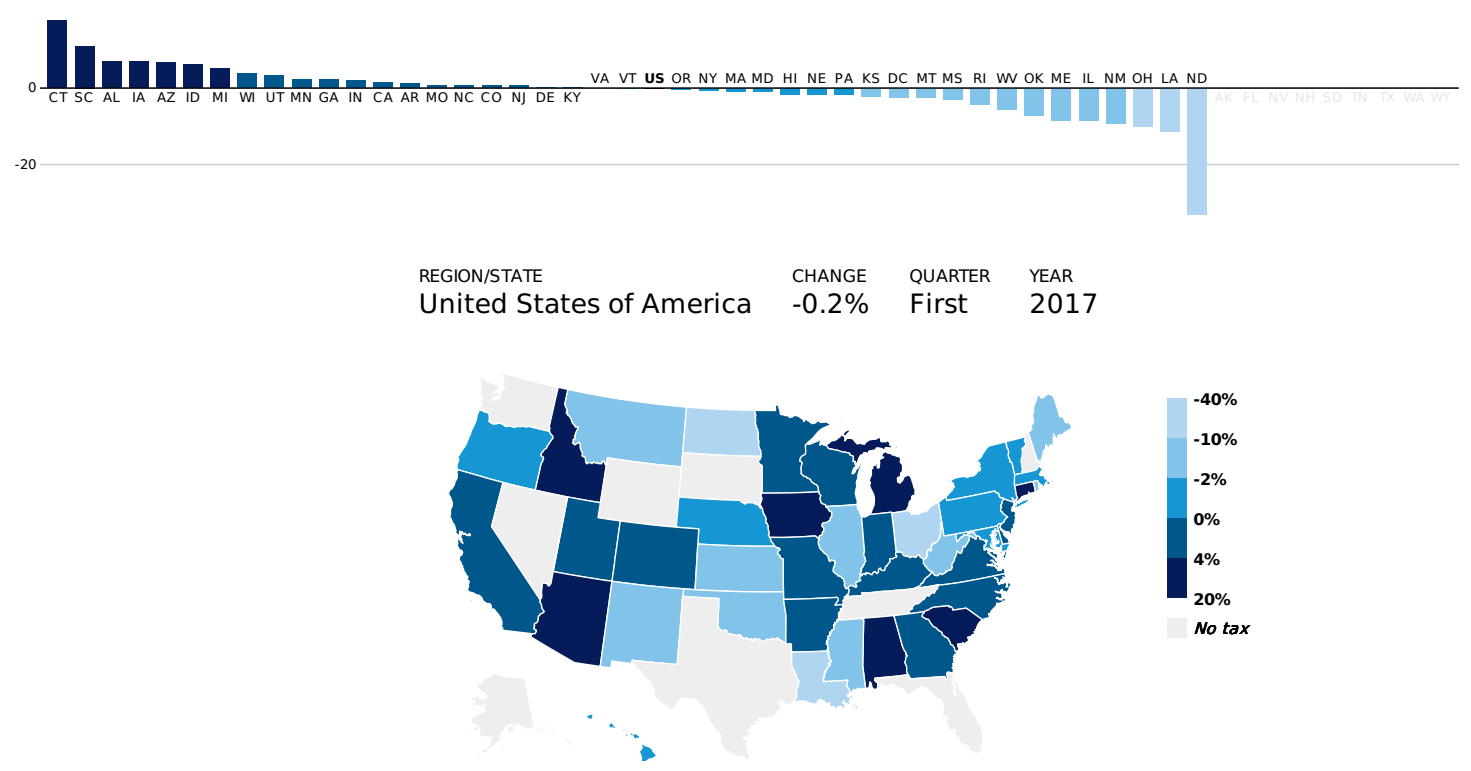


Total general sales tax revenue increased 0.2 percent in real terms for the year ending in the first quarter of 2017 compared with a year earlier. Revenue declined in 17 of the 45 states that levy a general sales tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/sales-taxes>). The largest decline was in North Dakota (-20.0 percent); other resource-dependent states (such as Oklahoma, Texas, and Wyoming) also saw large drops in sales tax revenue, as did non-resource-dependent South Carolina.

Sales tax revenue increased the most in Louisiana (34.4 percent), Utah (14.2 percent), and Nevada (13.3 percent). In 2016, Louisiana (http://lo.louisiana.gov/files/revenue/2016_ES1_REC_bills.pdf) raised its sales tax rate from 4 percent to 5 percent and applied the tax to more purchases as a part of ongoing (http://www.theadvocate.com/baton_rouge/news/politics/legislature/article_2bfeb820-fb05-11e6-ae7a-6b9e7ca812cf.html) efforts to address its budget deficit. Nevada 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 US Census Bureau counts those receipts as sales tax revenue. Utah did not legislate any tax changes during the period.

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

Real total state tax revenue decreased 0.2 percent in the year ending in the first quarter of 2017 compared with one year earlier.

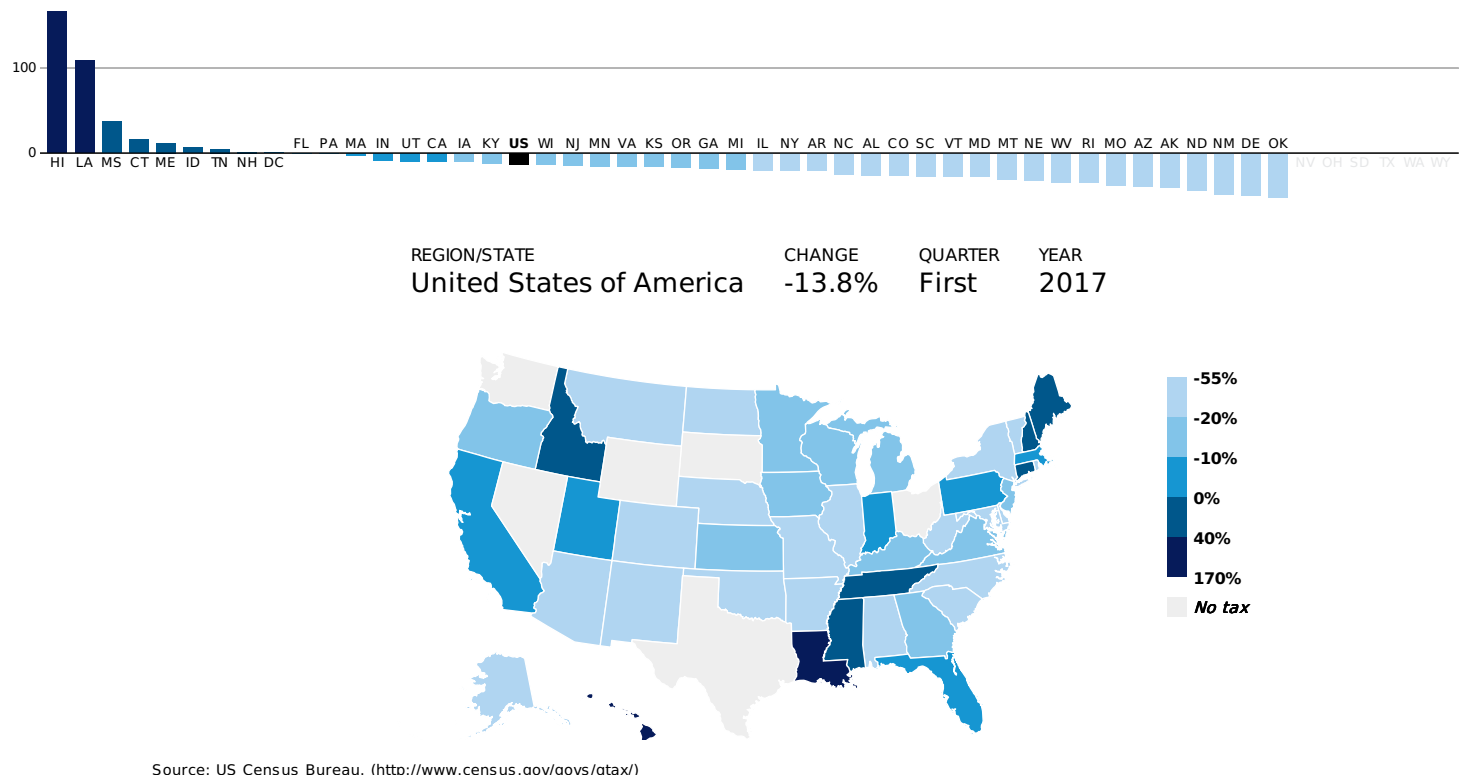


Total individual income tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/individual-income-taxes>) revenue declined 0.2 percent in real terms during the year ending in first quarter of 2017 compared with a year earlier. State income tax revenue may be down in part because of high-income taxpayers delaying capital gain realizations from 2016 in anticipation of lower federal tax rates (http://www.rockinst.org/pdf/government_finance/state_revenue_report/2017-03-09-srr_106.pdf) in 2017 (as the president and Congress have advocated).

Overall, DC and 20 of the 41 states with broad-based income taxes (New Hampshire taxes only interest and dividends, and Tennessee taxes only bond interest and stock dividends) experienced real income tax revenue decreases over the year. The largest decline was in North Dakota (-33.1 percent), which recently cut tax rates ([https://www.nd.gov/tax/data/upfiles/media/Income Tax Newsletter \(January 2016\).pdf](https://www.nd.gov/tax/data/upfiles/media/Income%20Tax%20Newsletter%20(January%202016).pdf) 20160920131512) nd is struggling economically as oil and natural gas production falls. Individual income tax revenue fell more than 10.0 percent in Louisiana (despite legislative steps taken (<http://www.ncsl.org/research/fiscal-policy/state-tax-actions-database.aspx>)since 2015 to raise its personal income tax revenues) and in Ohio (http://www.tax.ohio.gov/Portals/0/communications/news_releases/FilingseasonopensNR.pdf) (which recently cut income tax rates). The largest increase in income tax revenue was in Connecticut (17.7 percent), which raised (<http://www.ct.gov/drs/lib/drs/publications/pubssn/2015/sn2015-7.pdf>) its top income tax income tax rate in 2016.

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

Real total state tax revenue decreased 13.8 percent in the year ending in the first quarter of 2017 compared with one year earlier.



Source: US Census Bureau. (<http://www.census.gov/govs/ntax/>)
Note: Four quarters ending in the first quarter of 2017 are compared with four quarters ending in the the first quarter of 2016.

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>) declined 13.8 percent in real terms over the year ending in the first quarter of 2017 compared with the previous year. Real revenue declined in 36 of the 44 states with a broad-based corporate income tax. Nevada, Ohio, Texas, Washington, and Wyoming do not tax corporate income; South Dakota taxes only financial institutions. Oklahoma experienced the largest decline (-51.9 percent).

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. For example, Hawaii’s corporate income tax revenue increased 166.8 percent over the year ending in the first quarter of 2017, and Louisiana’s revenue climbed 108.5 percent over the same period. Hawaii’s gain was the result of higher corporate profits; the state did not legislate any tax changes during the period. In contrast, Louisiana’s increase was because of changes in state law. For much of 2015, the state paid more in credits (<https://www.businessreport.com/article/louisiana-corporate-franchise-tax-collections-back-black>) than it collected in tax revenue, reflecting corporate tax rules and declining prices for natural resources. Reforms (<https://www.legis.la.gov/legis/ViewDocument.aspx?d=985189>) in 2016 ensured the tax would bring in more revenue: corporate income tax revenue jumped from roughly \$127 million in in the year ending in the first quarter in 2016 to \$265 million the next year.

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.