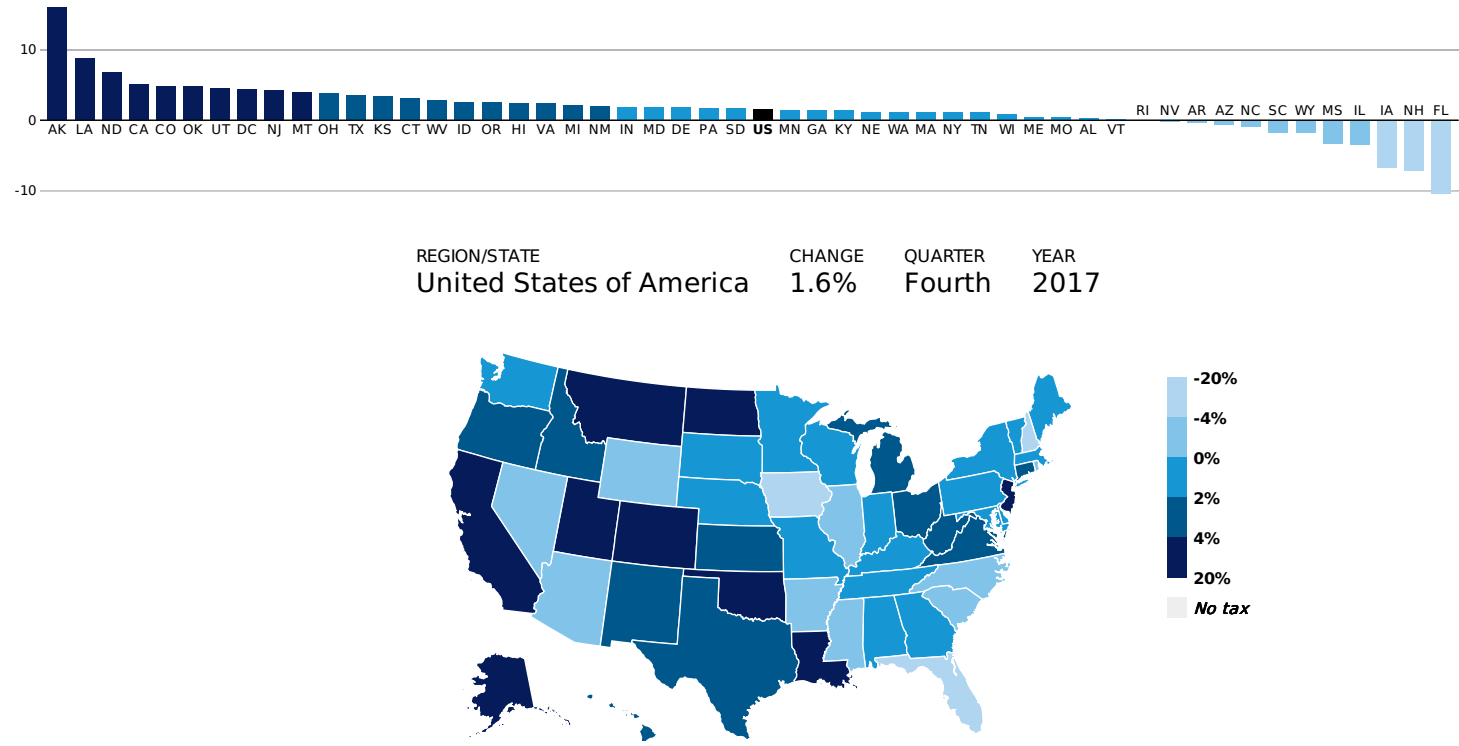


TAXES

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 1.6 percent in the year ending in the fourth quarter of 2017 compared with one year earlier.



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

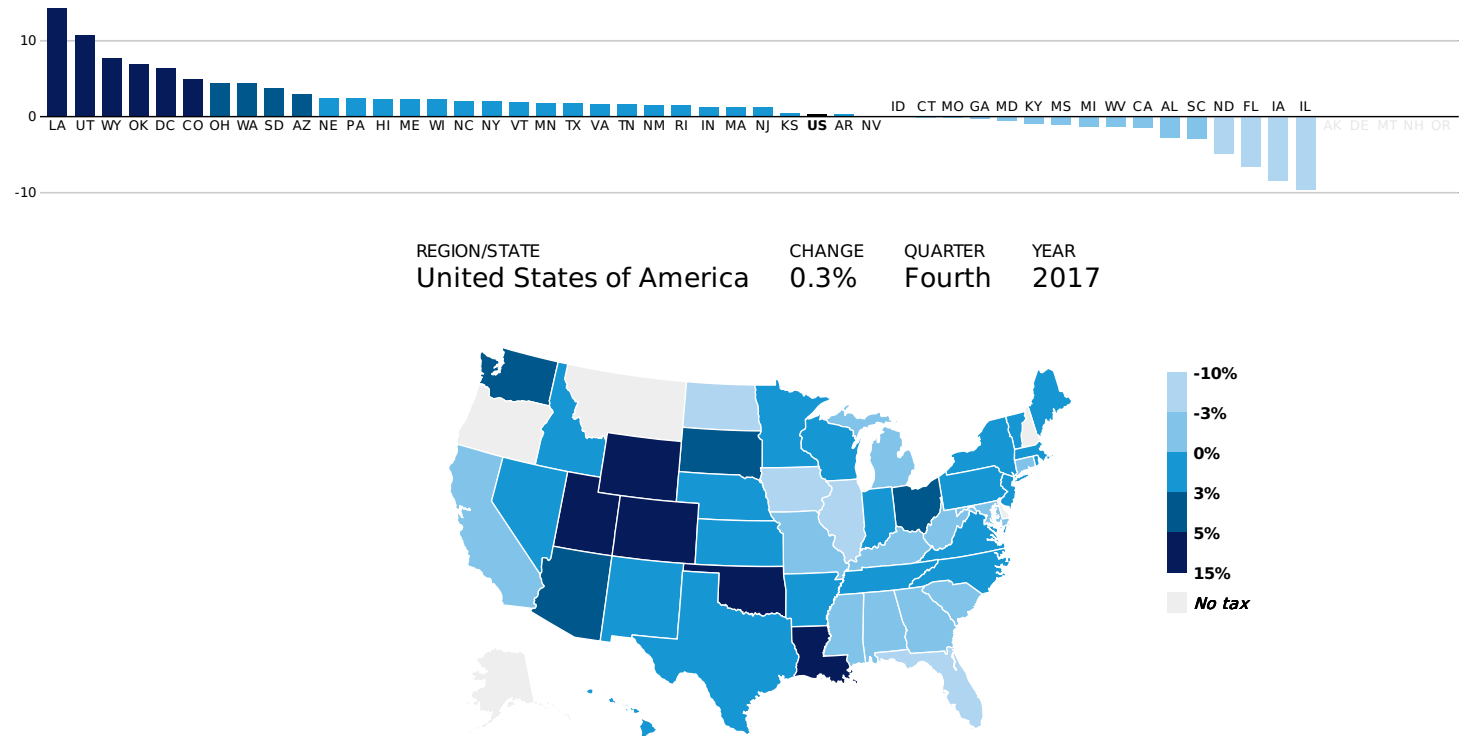
Total state tax revenue (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/state-and-local-backgrounders/state-and-local-revenues>) increased 0.3 percent in real terms during the year ending in the third quarter of 2017 compared with the previous yearlong period.

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.

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

Real total state tax revenue increased 0.3 percent in the year ending in the fourth quarter of 2017 compared with one year earlier.



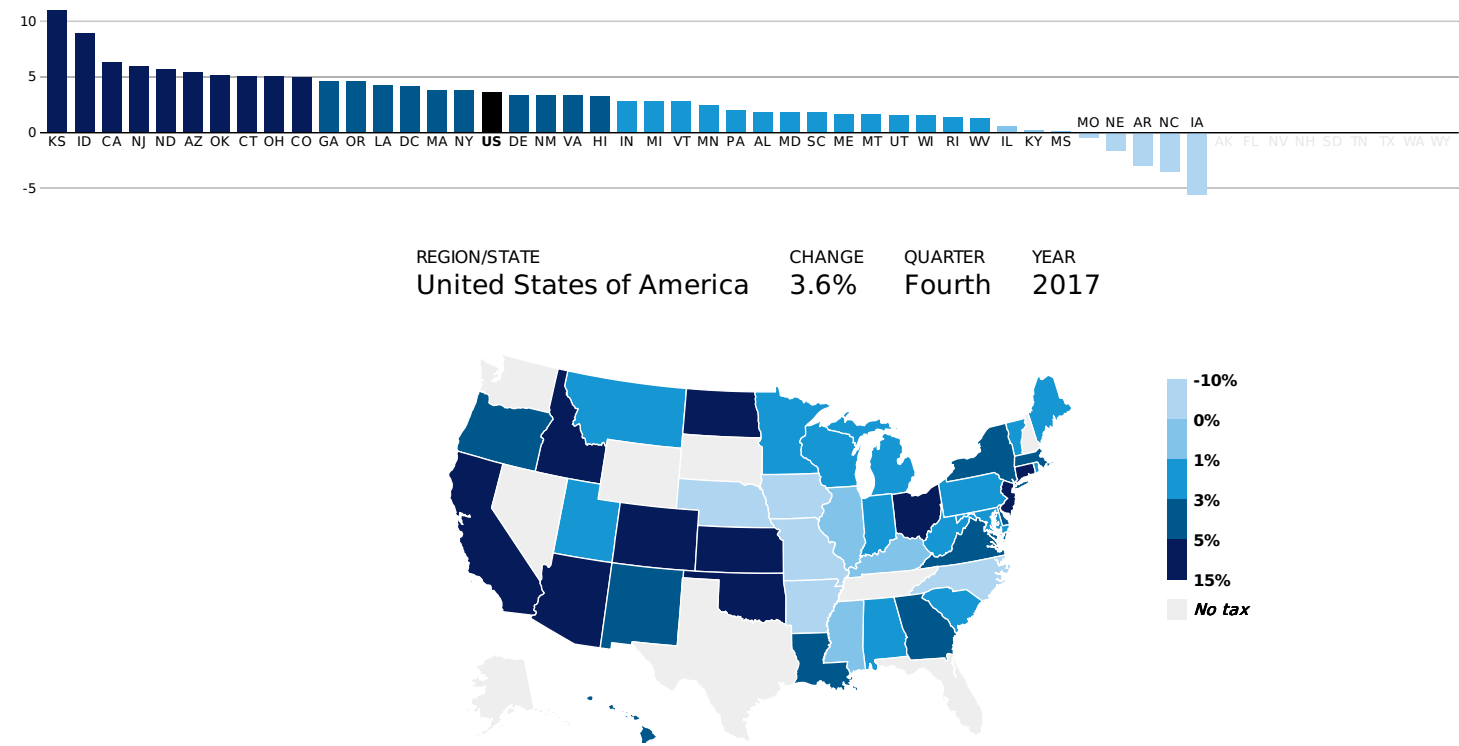
Source: US Census Bureau. (<http://www.census.gov/govs/ntax/>)
Note: Four quarters ending in the fourth quarter of 2017 are compared with four quarters ending in the the fourth quarter of 2016.

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) 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.

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

Real total state tax revenue increased 3.6 percent in the year ending in the fourth quarter of 2017 compared with one year earlier.



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

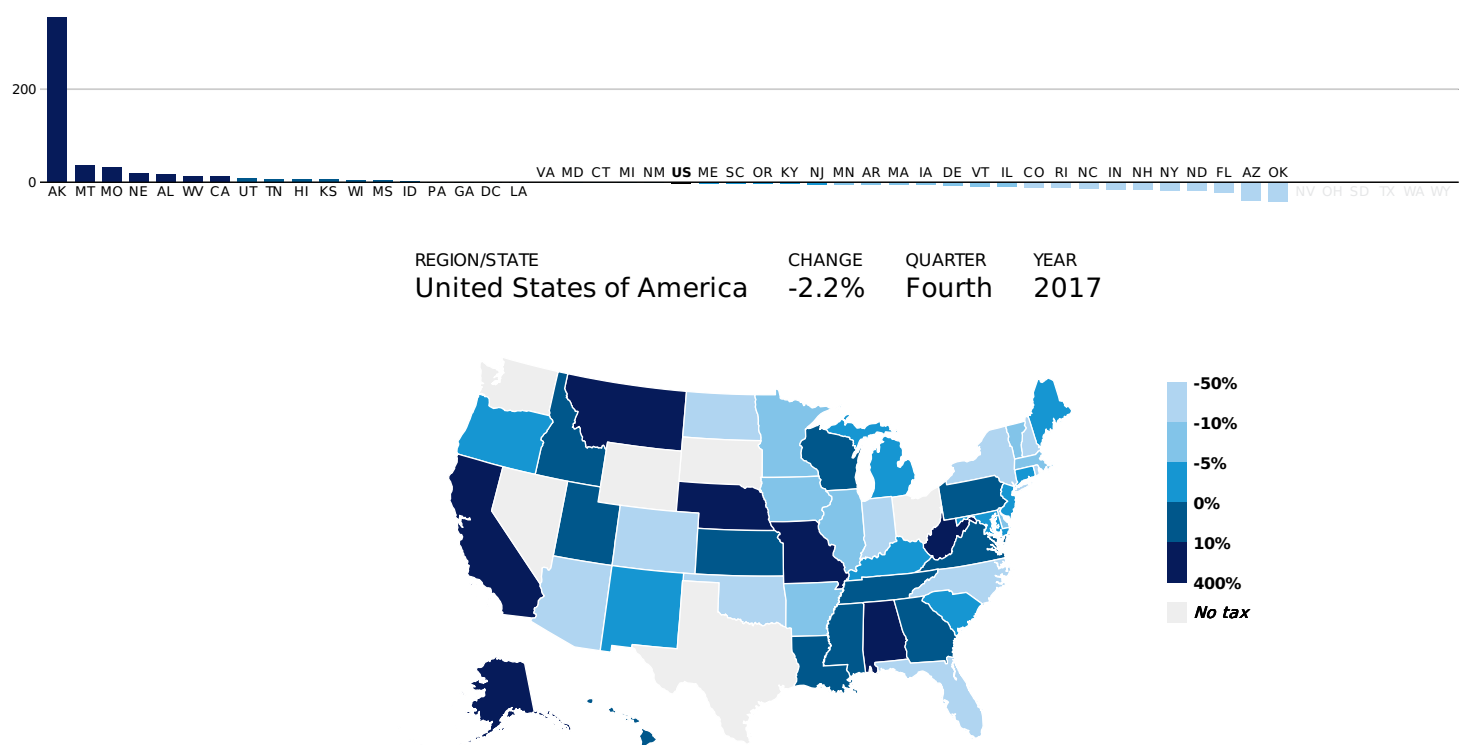
Total individual income tax (<http://www.urban.org/policy-centers/cross-center-initiatives/state-local-finance-initiative/projects/state-and-local-backgrounders/individual-income-taxes>) revenue increased 3.6 percent in real terms during the year ending in the fourth quarter of 2017 compared with the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

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

Real total state tax revenue decreased 2.2 percent in the year ending in the fourth quarter of 2017 compared with one year earlier.



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

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