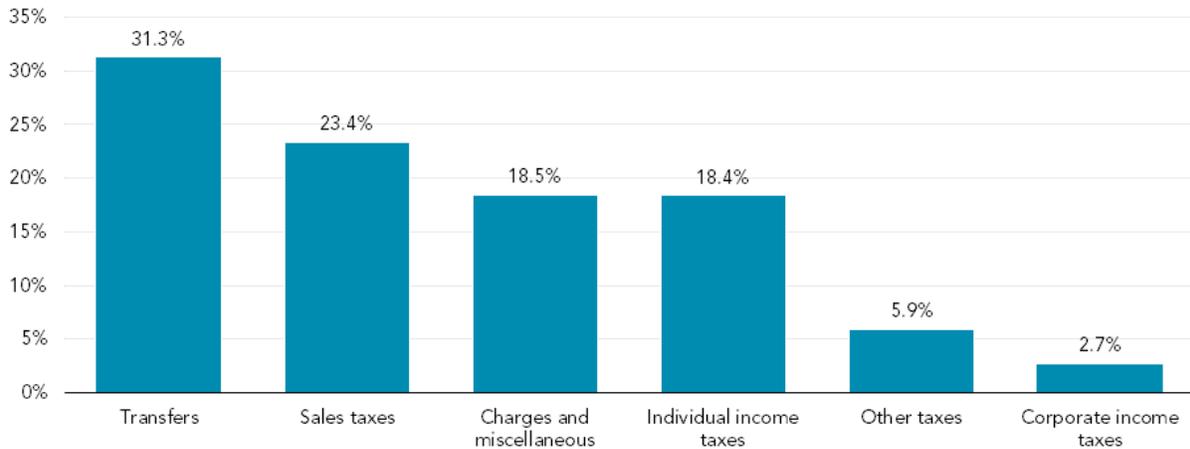


What are the sources of revenue for state governments?

State governments collected nearly \$1.7 trillion of general revenue in 2013. Revenue from income, sales, and other taxes totaled about \$850 billion—half of all general revenue (figure 1).

Total State General Revenue by Source
2013

TPC



Sources: Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

INTERGOVERNMENTAL TRANSFERS

Intergovernmental transfers—primarily from the federal government—totaled \$527 billion in 2013. The largest were federal grants for public welfare programs, predominately for Medicaid.

OWN-SOURCE REVENUE

Revenue from state sales and gross receipts taxes (including taxes on general purchases and selective taxes on products such as alcohol, cigarettes, and motor fuels) was \$394 billion in 2013, or 23 percent of state general revenue. Revenue from individual income taxes totaled \$310 billion—18 percent of general revenue—while revenue from other taxes (including license fees, estate taxes, and severance taxes) was \$99 billion—6 percent of general revenue. Charges and fees—notably tuition paid to state universities, payments to public hospitals, and tolls on highways or bridges—provided another \$311 billion, —18 percent of state general revenue in 2013.

General revenue does not include revenue collected by states from “business-like” enterprises, such as state-run liquor stores, utilities, and pension funds.

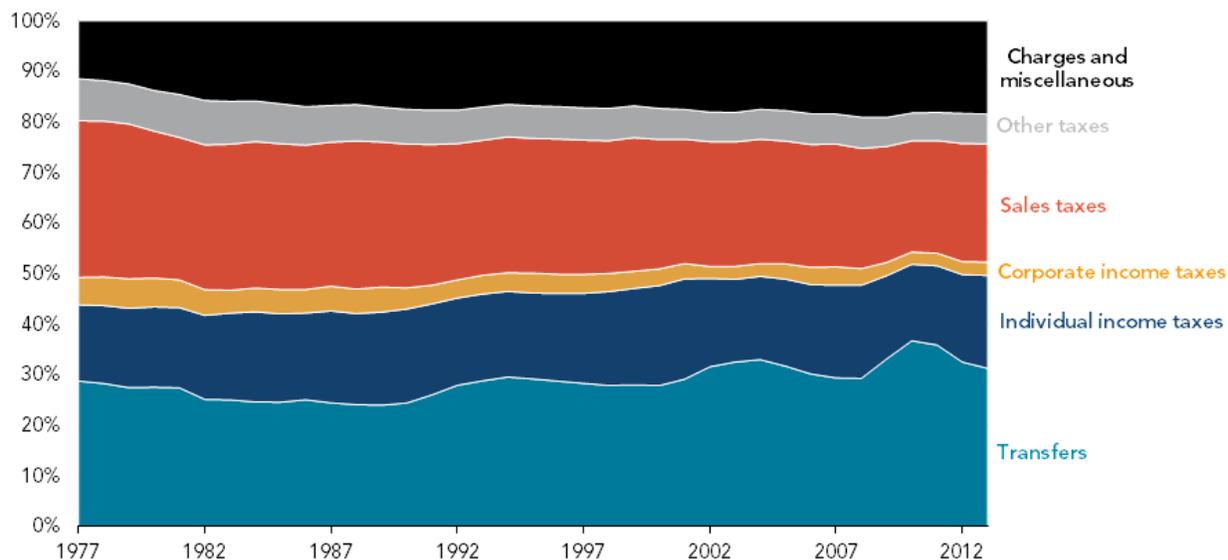
CHANGING SOURCES

Since 1977, the shares of state general revenue from intergovernmental transfers as well as charges and users fee have increased, while the share from taxes has declined (figure 2). The change in the charges and user fee category was especially striking, with its share rising by 7 percentage points (from 11 percent to 18 percent) from 1977 to 2013, as states sought to broaden their revenue bases.

Over the same period, the share of general revenue from state taxes declined by 10 percentage points, from 60 percent to 50 percent. The portion from individual income taxes rose slightly over the period, while the share from all other taxes declined.

FIGURE 2

State General Revenue by Source
1977–2013



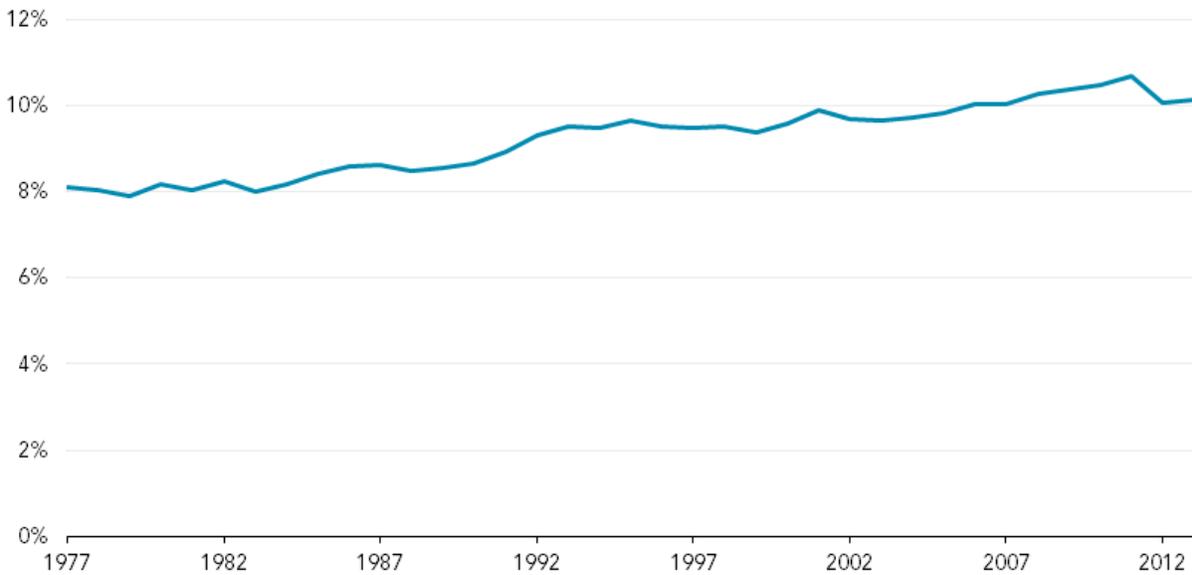
Sources: Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

RELATIVE GROWTH

State revenue grew slightly faster than the national economy between 1977 and 2012, rising from 8 percent of GDP in 1977 to 10 percent by 2013 (figure 3). State revenues peaked at 11 percent of GDP in 2011 before falling in 2012, largely because of a decline in federal transfers in the wake of the economic recovery.

FIGURE 3

Total State General Revenue, 1977–2013
As a share of national GDP

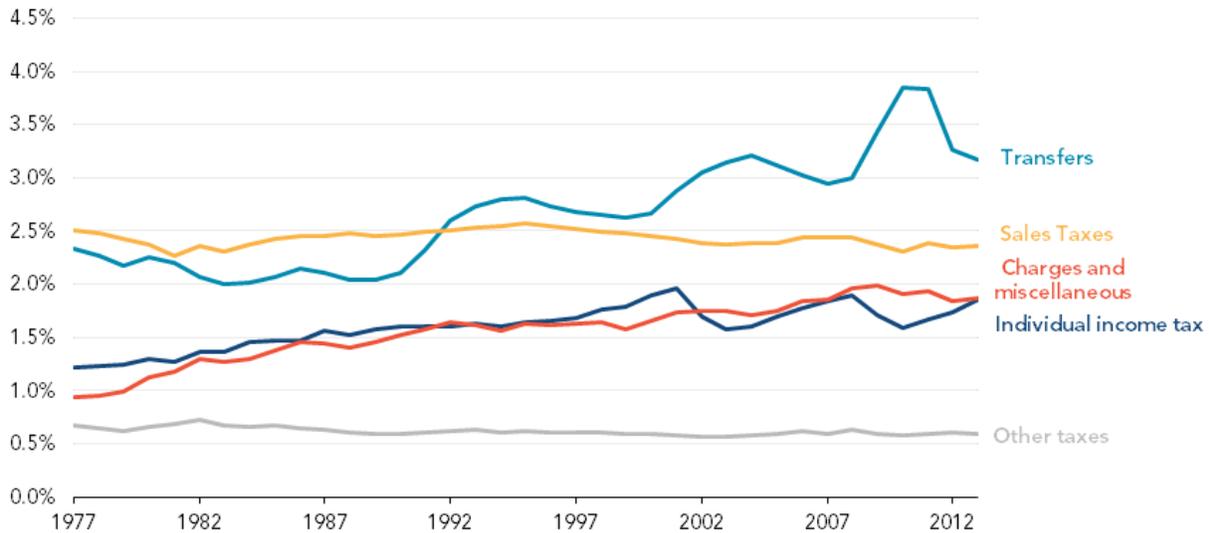


Sources: BEA; Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

Revenue from charges and miscellaneous fees as well as individual income taxes grew a small amount relative to GDP from 1977 to 2013, while sales tax revenue remained fairly constant at about 2.5 percent of GDP (figure 4). Intergovernmental transfers grew the most over that period, rising about 1 percent of GDP. The American Recovery Reinvestment Act of 2009 created a sharp uptick in federal transfers to state governments from 2009 to 2011, hitting a peak of 3.8 percent of GDP in 2010 and 2011. Federal transfers to the states dropped as a share of GDP in 2012 as spending on economic stimulus programs receded.

FIGURE 4

State General Revenue by Source, 1977–2013 As a share of national GDP



Sources: BEA; Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

DATA SOURCES

US Census Bureau. 2013 Annual Survey of State Government Finances. [State Government Finances](#).

US Department of Commerce, Bureau of Economic Analysis. [BEA National Economic Accounts: Current-dollar and 'real' GDP](#).

Tax Policy Center. [State and Local Finance Data Query System](#). Urban Institute and Brookings Institution, Washington, D.C.

FURTHER READING

Brunori, David. 2005. *State Tax Policy: A Political Perspective*, 2nd ed. Washington, DC: Urban Institute Press.