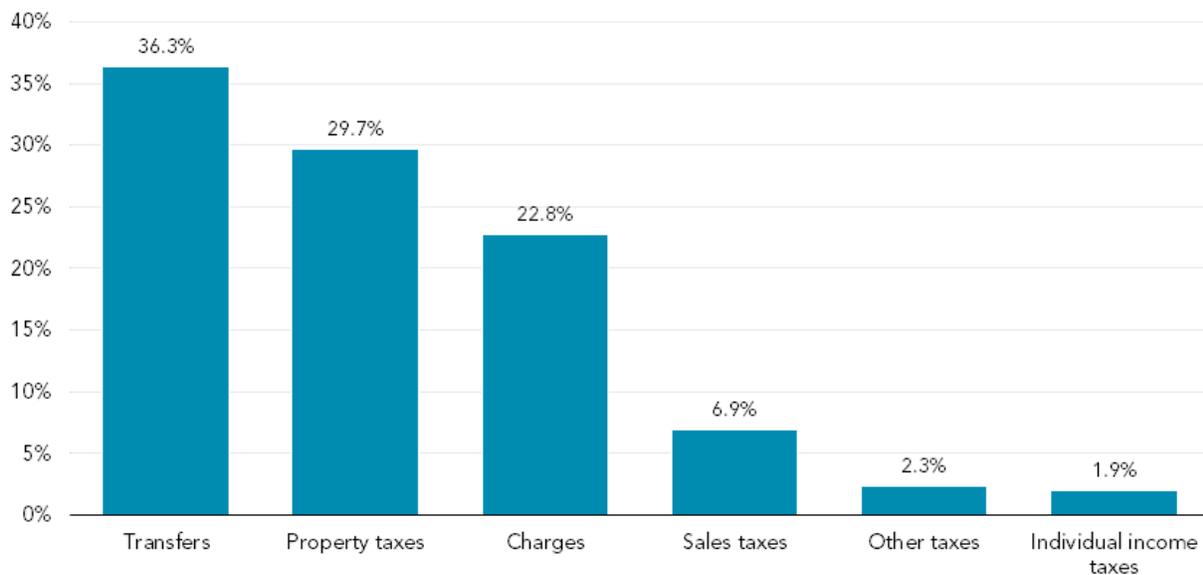


What are the sources of revenue for local governments?

Local governments collected almost \$1.5 trillion of general revenue in 2013. Revenue from local property, sales, and other taxes totaled \$608 billion, about 41 percent of general revenue (figure 1).

FIGURE 1

Local General Revenue by Source 2013



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

INTERGOVERNMENTAL TRANSFERS

Of the 36 percent of local government general revenue that were transfers from other levels of government, nearly 32 percent came from state governments (including indirect federal funds), and 5 percent came directly from the federal government. Local governments include county governments, municipalities, townships, special districts (such as water and sewage authorities), and school districts. Aid to school districts account for more than half of all state government transfers to localities. Housing programs make up 40 percent of federal transfers to local governments.

OWN-SOURCE REVENUE

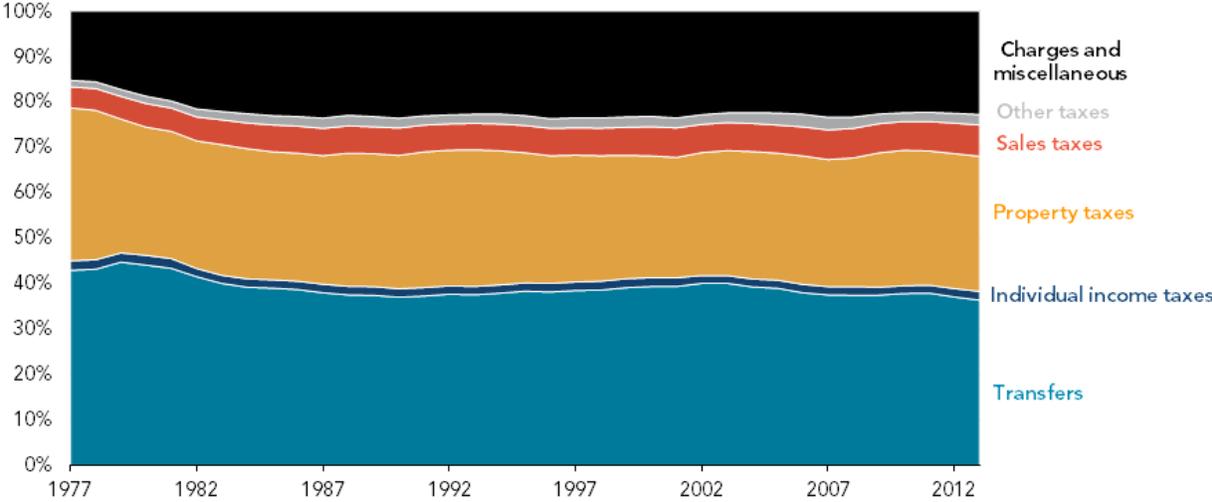
Revenue from property taxes was \$442 billion in 2013—30 percent of local government general revenue and the largest single source of tax revenue (figure 2). Revenue from sales taxes was \$102 billion—7 percent of general revenue. Revenue from individual income taxes was \$29 billion—another 2 percent—while revenue from other taxes (such as stadium taxes and business license taxes) was \$34 billion— just over 2 percent. Charges and fees, such as water, sewerage, and parking meter fees collected by municipal or county governments, provided \$339 billion or 23 percent of general revenue.

CHANGING SOURCES

Since 1977, the share of local government revenue from nontax sources has remained fairly steady at 60 percent of general revenue. However, the composition of non-tax revenue has changed. The portion from intergovernmental transfers declined from 43 percent of general revenue in 1977 to 36 percent in 2013, while revenue from charges and fees increased from 15 percent to 23 percent.

Likewise, while the share of general revenue from local taxes has remained at about 40 percent, the composition of tax revenue changed. The contribution of property taxes to general revenue declined from 34 percent in 1977 to 30 percent in 2013, while revenue from sales taxes increased from 5 percent to 7 percent.

FIGURE 2
Local General Revenue by Source
1977–2013



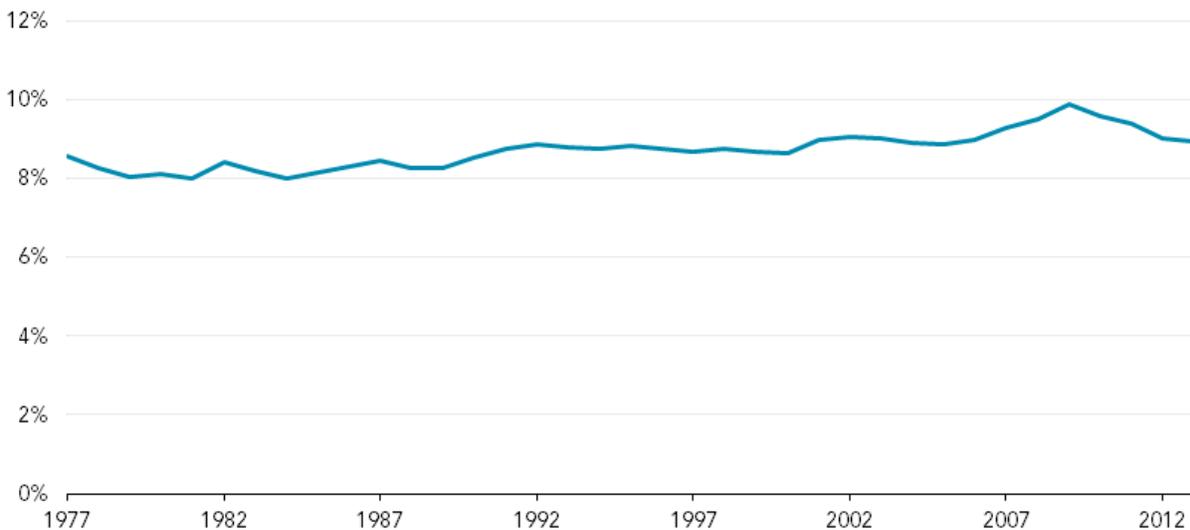
Sources: Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

REVENUE GROWTH COMPARED WITH ECONOMIC GROWTH

Although local government revenue was about the same relative to GDP in 2012 as it was in 1977, there were fluctuations over that period (figure 3). The figure fell to a low of 8.0 percent in 1980 and peaked at 9.9 percent in 2009.

FIGURE 3

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

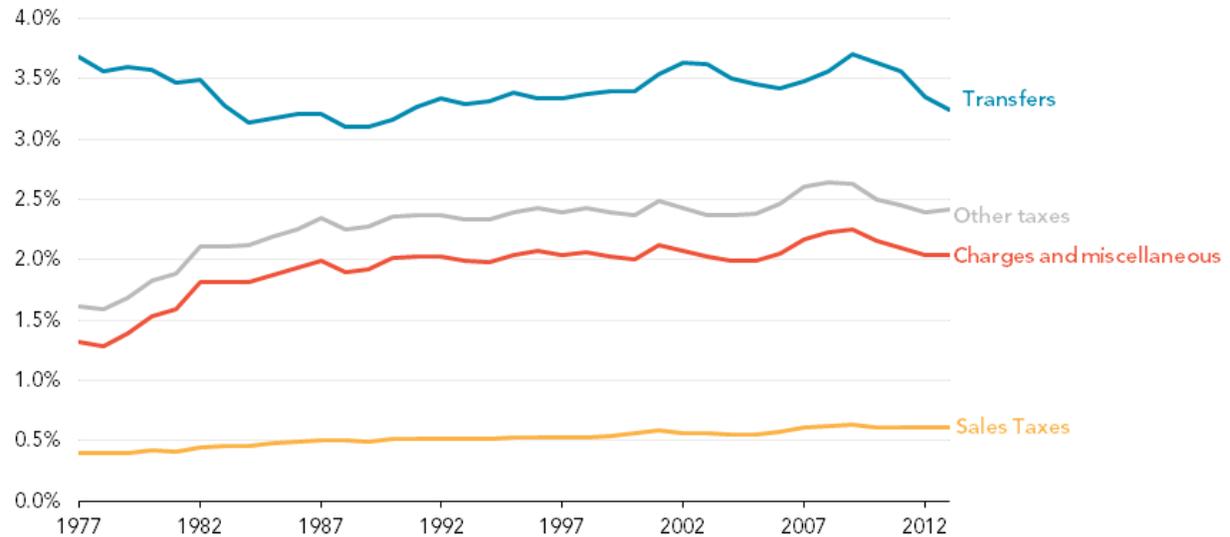


Sources: Bureau of Economic Analysis ; Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

Much of the change in local government revenue relative to the economy was because of fluctuations in transfers provided by the federal and state governments. Transfers fell from 1977 through most of the 1980s and increased slowly through the 1990s. This source of revenue is cyclical; it grew sharply during the 2001 and the 2007–09 recessions, receding in both cases as the economy recovered (figure 4).

FIGURE 4

Local General Revenue by Source, 1977–2012 As a share of national GDP



Sources: Bureau of Economic Analysis ; Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

DATA SOURCES

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FURTHER READING

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