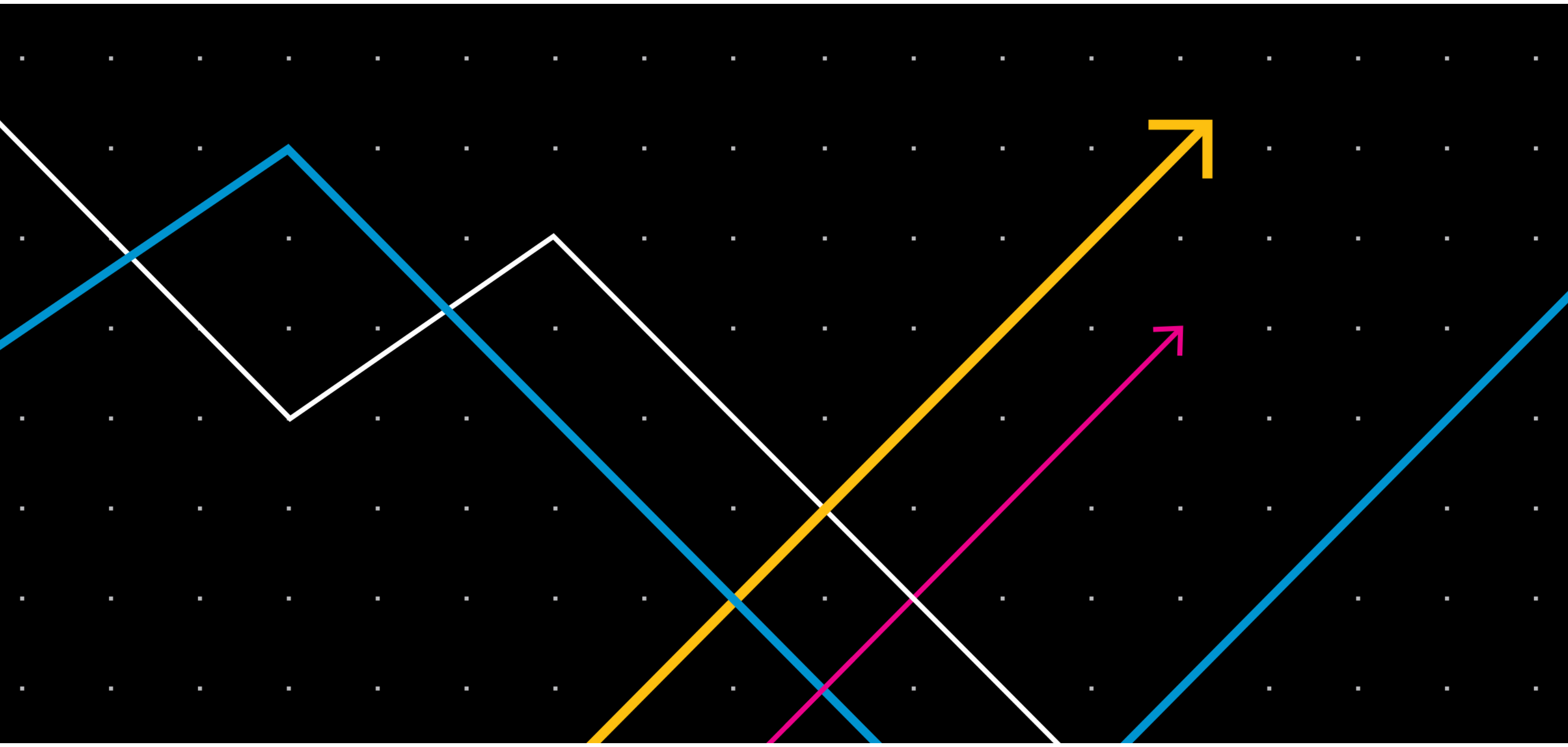
STATE AND LOCAL FINANCE INITIATIVE



RESEARCH REPORT

State Tax Revenues Soar in the First Quarter of 2018

State Tax and Economic Review, 2018 Q1

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October 2018

This report was updated on November 5, 2018 to reflect additional information on withholding and estimated payments received from the states.

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Acknowledgments

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Executive Summary

- **State and local government tax revenues** from major sources—individual income, corporate income, sales, and property taxes—were up 6.6 percent in the first quarter of 2018 compared with the prior year. Some patterns and changes in revenues likely reflect taxpayers' timing decisions in response to federal tax changes.
- Year-over-year growth in **state government tax revenues** from major sources was strong at 9.6 percent in the first quarter of 2018. However, growth was mixed across different revenue sources.
  - » **State individual income taxes** showed double-digit growth for two consecutive quarters.
  - » **State sales taxes** had uninterrupted growth since the first quarter of 2010, but the growth lagged the rates in previous economic expansions.
  - » **State corporate income taxes** declined in the first quarter of 2018 after exhibiting double-digit growth in the final quarter of 2017.
- Year-over-year growth in **local government tax** revenues from major sources was 3.4 percent in the first quarter of 2018, substantially lower than the 8.9 percent growth in the final quarter of 2017.
  - » **Local property taxes** increased 1.4 percent in the first quarter of 2018, less than the 9.2 percent growth in the final quarter of 2017. Local property taxes were artificially boosted in the final quarter of 2017 because some taxpayers responded to the Tax Cuts and Jobs Act (TCJA) by making property tax prepayments before the law took effect in 2018.
- Preliminary analysis of **state government taxes in fiscal year 2018** indicates strong growth. State tax revenues grew 7.1 percent through the first three quarters of state fiscal 2018. Growth rates were weaker in the median state, at 5.1 percent. High income tax revenues in a few states were responsible for much of the increase.
- Preliminary **state government tax data for the second quarter of 2018** indicate double-digit growth in both individual and corporate income tax collections and single-digit growth in sales tax collections. Second-quarter growth in individual income tax collections is mostly driven by the stronger growth in estimated and final payments. The recent strong growth trend in state individual income tax collections will likely reverse or temper in future years after the TCJA changes are fully incorporated.

- Economic factors driving revenue growth were all positive in the first quarter of 2018. However, the growth in economic factors needs to be viewed with caution.
    - Real **gross domestic product** increased 2.6 percent for the nation in the first quarter of 2018. Overall, state economies have grown at a slower pace in the first quarter of 2018 compared with growth rates in state tax revenues. The discrepancy in growth rates has become more common in the most recent years, heightening revenue volatility, and likely reflects timing decisions in revenue payments.
    - The **unemployment rate** was 4.1 percent in the first quarter of 2018. Unemployment rates have seen steady declines since 2010, largely driven by the decline in labor force participation partly caused by retiring baby boomers.
    - **Employment** grew 1.5 percent in the first quarter of 2018 compared with one year ago. However, there were large disparities among the states, with 36 states reporting growth below the national average.
    - **Personal consumption expenditures** have been rebounding after being hit hard by steep declines in oil and gas prices in 2014–2015. However, current growth rates in both durable goods and services are weaker compared with growth rates observed before the fall of oil prices, which had a negative impact on sales tax revenues.
    - **Housing prices** increased 6.9 percent in the first quarter of 2018. Housing prices have been rising from low levels in 2007, but growth was not even across the 50 states. In 12 states housing prices are still lower than their prerecessionary peak levels.

Trends in State and Local Tax Revenues

State and local government tax revenues have fluctuated wildly over the last four years despite relatively steady economic recovery since the Great Recession.

Overall, year-over-year growth in state and local government tax revenues was strong in the first quarter of 2018 but weaker than the previous quarter's growth. Most of the weakness was attributable to local property taxes; these were artificially boosted in the fourth quarter of 2017 because of the federal tax law known as the Tax Cuts and Jobs Act (TCJA) enacted in late December 2017. The TCJA created strong incentives for some high-income taxpayers to act fast and prepay their property taxes to take advantage of the uncapped state and local tax deduction in 2017. Under the TCJA, the annual deduction for state and local taxes was capped at $10,000 per year effective January 1, 2018.

Table 1 shows state and local government tax revenues from major sources for the first quarter of 2017 and the first quarter of 2018, as well as the nominal percentage change between both quarters and the average quarterly year-over-year growth in calendar year 2017. Growth varied substantially by source and level of government. Major findings include the following:

- ***State and local government revenues*** from major sources increased 6.6 percent in the first quarter of 2018 compared with a year earlier, stronger than the 4.8 percent average quarterly growth in calendar year 2017.
- ***State government revenue*** from major sources increased 9.6 percent in the first quarter of 2018 from a year ago, substantially higher than the average quarterly year-over-year growth rate of 4.7 percent in calendar year 2017. The strong growth was mostly driven by higher individual income tax revenues, which increased 15.0 percent compared with an average quarterly year-over-year growth rate of 6.8 percent in calendar year 2017. Growth in sales tax collections was 4.4 percent, stronger than the average quarterly year-over-year growth rate of 3.2 percent in calendar year 2017.
- ***Local government revenue*** from major sources increased 3.4 percent from a year ago in the first quarter of 2018, weaker than the 4.9 percent average quarterly year-over-year growth in calendar year 2017. Local property taxes, the single largest source of local government tax revenues, increased 1.4 percent from a year ago in the first quarter of 2018, substantially

weaker than the 5.3 percent average quarterly year-over-year growth in calendar year 2017. As noted, this likely reflects timing decisions and not underlying changes in revenues.

TABLE 1

State and Local Government Tax Revenue Growth

Millions of dollars

	2017 Q1	2018 Q1	Nominal percentage change	Average Y-O-Y quarterly growth rate, CY2017
Total state and local major taxes	**$331,757**	**$353,689**	**6.6**	**4.8**
State major taxes	*$171,144*	*$187,637*	*9.6*	*4.7*
Individual income tax	$86,673	$99,712	15.0	6.8
Corporate income tax	$7,739	$7,457	-3.6	1.1
Sales tax	$72,905	$76,128	4.4	3.2
Property tax	$3,827	$4,339	13.4	1.1
Local major taxes	*$160,613*	*$166,052*	*3.4*	*4.9*
Individual income tax	$9,051	$10,232	13.0	1.7
Corporate income tax	$2,159	$2,516	16.5	1.6
Sales tax	$19,283	$21,328	10.6	3.9
Property tax	$130,120	$131,976	1.4	5.3

Source: US Census Bureau (tax revenue) with adjustments by the author
Notes: CY = calendar year; Q = quarter; Y-O-Y = year-over-year.

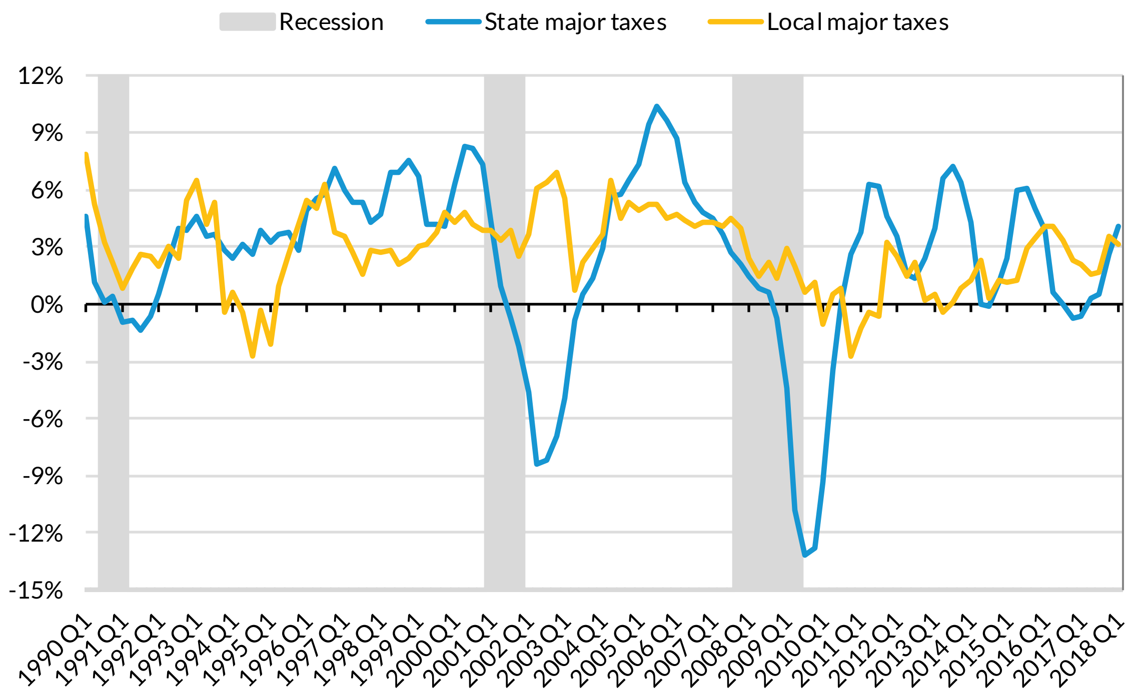
Figure 1 shows longer-term trends in state and local tax collections, specifically, the year-over-year percentage change in the four-quarter moving average of inflation-adjusted state and local tax collections from major sources: individual income tax, corporate income tax, sales tax, and property tax. As shown in figure 1, state taxes from major sources fluctuated greatly over the past few years, mostly driven by the impact of the federal fiscal cliff, volatility in the stock market, and, most recently, by the impact of taxpayer behavior in response to the passage of the TCJA. State major taxes, adjusted for inflation, grew 4.1 percent in the last four quarters relative to the year earlier, which is the strongest growth since the first quarter of 2016. The four-quarter moving average of inflation-adjusted local taxes grew 3.2 percent in the first quarter of 2018.

Most local governments rely heavily on property taxes, which are relatively stable and respond to property value declines slowly. By contrast, the income, sales, and corporate taxes that states heavily rely on respond rapidly to economic declines. Over the last two decades, property taxes have consistently made up at least two-thirds of total local tax collections. As noted above, the recent changes in property tax receipts between fourth-quarter 2017 and first-quarter 2018 likely reflect the timing of payment shifts rather than a shift in the underlying trend.

FIGURE 1

Strong Growth in Major State and Local Tax Revenues

Year-over-year change in inflation-adjusted state and local taxes from major sources



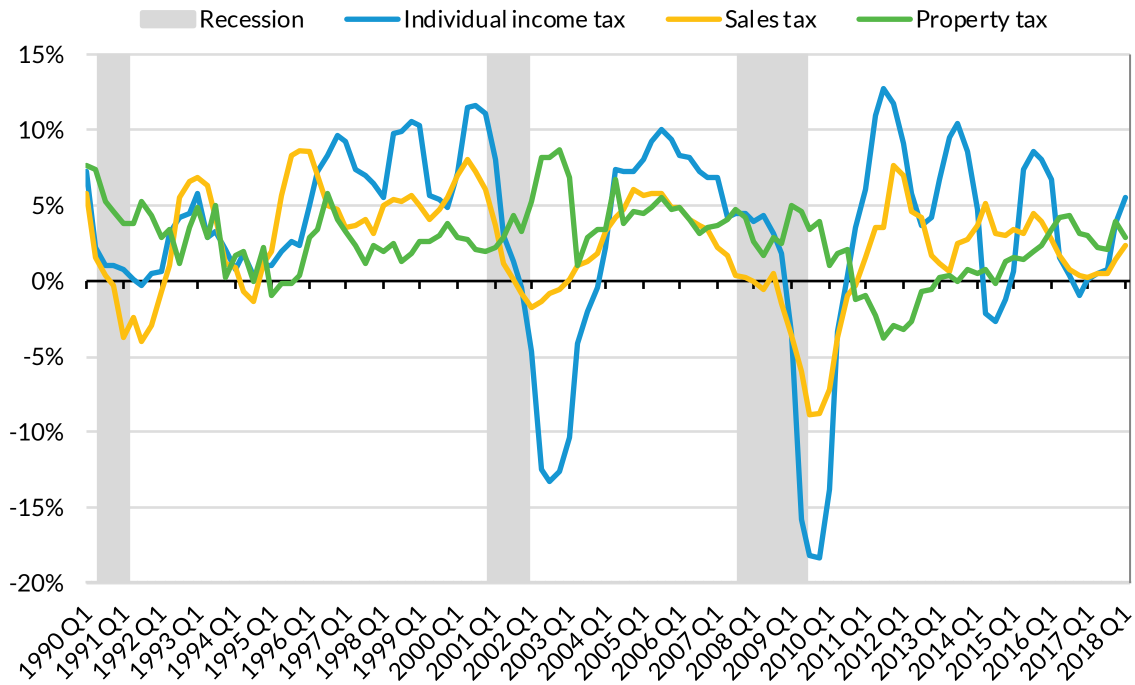
Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).
Notes: Year-over-year change is the percentage of four-quarter moving averages. Data are adjusted for inflation. Data are for four major tax categories only: individual income, corporate income, general sales, and property.

Figure 2 breaks out inflation-adjusted state and local individual income, sales, and property tax revenue over the same period. The graph illustrates large fluctuations in state and local individual income tax collections in recent years. The year-over-year growth in state-local individual income tax revenues was 3.8 percent in the fourth quarter of 2017 and 5.6 percent in the first quarter of 2018, substantially stronger than in previous quarters. State-local property taxes, nearly all of which are collected by local governments, grew 2.9 percent from a year earlier in the first quarter of 2018, weaker than the 4.0 percent growth in the fourth quarter of 2017. State-local sales tax revenues grew 2.3 percent from a year earlier in the first quarter of 2018, relatively strong compared with the sluggish growth observed since mid-2016.

FIGURE 2

Substantial Growth in State-Local Individual Income Tax Revenues

Year-over-year change in inflation-adjusted major state-local taxes



Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).
Notes: Year-over-year change is the percentage of four-quarter moving averages. Data are adjusted for inflation.

State Tax Revenue in 2018, Quarter 1

Total state tax revenue grew 8.1 percent in the first quarter of 2018 relative to a year ago, in nominal terms, according to US Census Bureau data as adjusted by the author.[1] Inflation-adjusted growth was 6 percent. Growth was reported in all major sources of state tax revenues except corporate income tax collections, which declined 3.6 percent. Individual income tax collections grew 15 percent in nominal terms, while sales tax and motor fuel tax collections grew by 4.4 and 4.8 percent, respectively. Table A1 shows nominal and inflation-adjusted growth in state government tax revenue collections from major sources, as well as average quarterly year-over-year growth rates between the first quarter of 2008 and the first quarter of 2018. Despite the strong growth in overall state tax revenue collections in the final quarter of 2017 and in the first quarter of 2018, the inflation-adjusted average annual growth rate in the last 10 years was only 1.2 percent.

Total state tax revenues showed solid growth across all regions in the first quarter of 2018 (table A2). Growth in the median state, however, was 1.3 percentage points weaker compared with the growth rate for the national average. The Rocky Mountain region had the strongest growth at 12.3 percent, while the Southeast region had the weakest growth at 4.7 percent.

Forty-seven states reported growth in total state tax revenue collections for the first quarter of 2018 relative to a year ago, with 13 states reporting double-digit growth. State tax revenues declined in Alaska, Louisiana, and Wisconsin. Both Alaska and Louisiana are oil- and mineral-dependent states with high reliance on severance taxes. These states are still facing the impact of steep oil price declines throughout 2015 and early 2016 which led to declines in severance tax collections and depressed states' overall economic activity, resulting in weakness in overall state tax collections (Dadayan and Boyd 2016).

Individual Income Taxes

State individual income tax revenues grew by 15.0 percent in nominal terms and by 12.8 percent in inflation-adjusted terms in the first quarter of 2018 compared with the same period in 2017. This growth is far stronger than the average quarterly year-over-year growth rate in state individual income tax collections of 4.0 percent in nominal terms and 2.3 percent in real terms over the past 10 years. The recent strength in individual income tax collections should be viewed with caution, as it is likely attributable to the temporary impact of the federal policy changes that created strong incentives for some high-income taxpayers to shift income and deductions between tax years. In addition, individual income tax collections in the first quarter of 2018 were likely boosted by extension payments related to tax year 2017. Some of these extension payments were likely attributable to one-time payments related to the federal Emergency Economic Stabilization Act of 2008, under which hedge fund managers had until December 31, 2017, to repatriate foreign earnings.

Individual income tax collections saw double-digit growth across all regions but the Southwest. The New England region saw the largest growth at 24.6 percent, while the Southwest region reported the weakest growth at 6.9 percent.

Overall, individual income tax collections grew in 38 states in the first quarter of 2018, with 23 states reporting double-digit growth. Individual income tax revenues were particularly strong in Kansas, Connecticut, and Illinois where collections increased by 66.6, 51.4, and 43.2 percent, respectively. The strong growth in Kansas and Illinois are mostly attributable to the increase in their income tax rates. In Illinois, the income tax rate was increased from 3.75 percent to 4.95 percent effective July 1, 2017 (Illinois Department of Revenue 2017a). In Kansas, the legislature increased income tax rates and created a higher income tax bracket retroactively for tax year 2017, which was maintained for subsequent years (Kansas Department of Revenue 2017). The strong growth in individual income tax collections in Connecticut is mostly attributable to the enormous growth in estimated payments in January because of income accelerated into the final quarter of 2017 and repatriation of foreign earnings.

To get a clearer picture of the underlying trends in individual income tax collections, we examine trends in the four major components: withholding, quarterly estimated payments, final payments, and refunds. The Census Bureau does not collect data on individual components of individual income tax collections. The data presented here were collected by the author directly from the states. These data are more current than the Census Bureau data and thus provide a preliminary view of income tax collections for the second quarter of 2018. Table 2 shows growth for each major component in the last eight quarters, illustrating the boost in individual income tax collections in the final quarter of 2017 and the first quarter of 2018 because of the strong growth in estimated payments and final returns.

TABLE 2

Growth in State Government Individual Income Tax Components

Year-over-year nominal percentage change

	State FY2017 (%)				State FY2018 (%)			
Individual income tax components	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**
Withholding	3.7	3.0	6.1	6.4	5.2	7.2	8.9	7.4
Estimated payments	-3.6	-1.5	1.0	-1.8	1.8	52.7	31.0	12.8
Final returns	-1.1	-0.3	-0.8	-5.2	1.6	15.4	15.3	8.4
Refunds	5.0	25.1	-2.8	9.2	4.8	-7.1	6.1	0.9
IIT total	**2.3**	**0.5**	**7.9**	**0.4**	**4.5**	**16.0**	**14.8**	**10.3**

Source: Individual state data, analysis by the author.

Notes: The percentage changes for total individual income tax differ from data reported by the US Census Bureau.
FY = fiscal year; IIT = individual income tax; Q = quarter.

Withholding

Withholding is usually a good indicator of the current strength of individual income tax revenue because it comes largely from current wages and is less volatile than estimated payments or final settlements. Table A3 shows year-over-year growth in withholding for the last eight quarters for all states with broad-based individual income tax. The growth in withholding was substantially stronger in the final quarter of 2017 as well as in the first and second quarters of 2018. In the first quarter of 2018 withholding increased by 8.9 percent, which was the strongest growth since the first quarter of 2011, when withholding grew by 8.2 percent. The strength in withholding, however, should be viewed cautiously, as it was partially driven by one-time bonuses paid by employers in response to the TCJA.

Average quarterly year-over-year growth rate in withholding was 7.2 percent in state fiscal year 2018, substantially stronger compared with the average growth rate of 4.8 percent in state fiscal year 2017. However, the median growth rate in withholding was 5.4 percent in state fiscal year 2018, which was only modestly stronger compared with the 4.4 percent median growth rate in state fiscal year 2017.

All regions showed growth in withholding in the first and second quarters of 2018. The Great Lakes region had the strongest growth in both the first and the second quarters of 2018, at 12.7 and 15.3 percent, respectively. The strong growth in withholding in the Great Lakes region is mostly attributable to a single state, Illinois, where withholding grew by 36.6 and 37.3 percent, respectively, from the prior year in the first and second quarters of 2018. As noted above, the growth in withholding in Illinois is mostly driven by the increase in income tax rate.

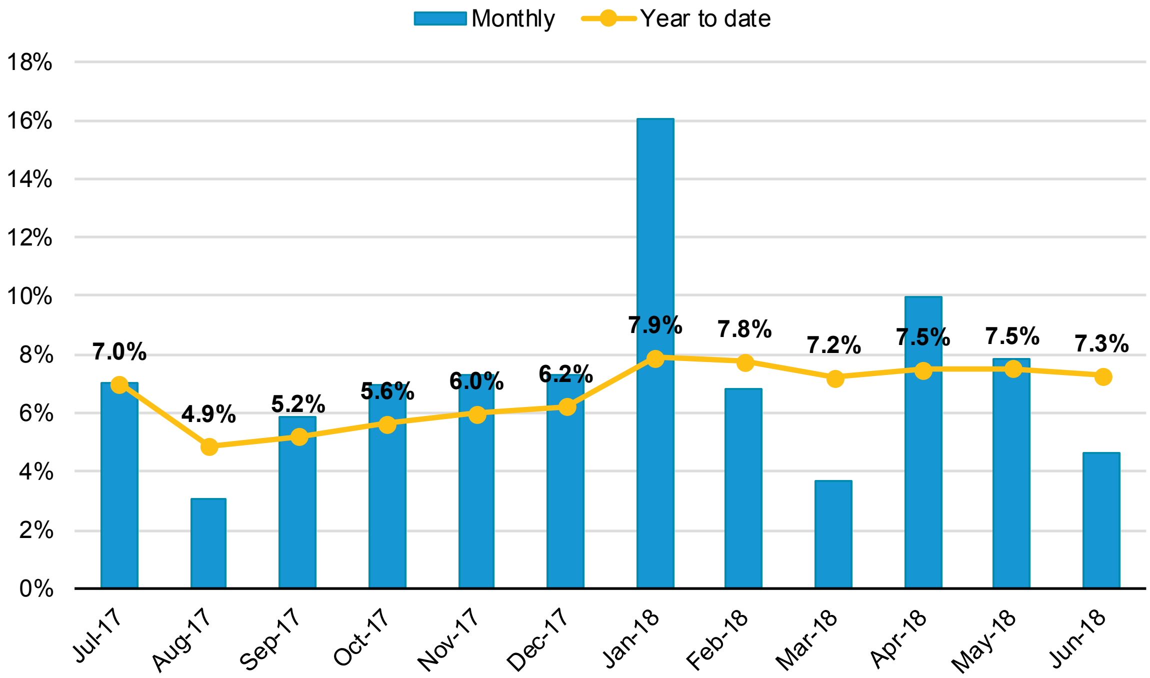
Growth in withholding was widespread across the states in both the first and the second quarters of 2018. All 41 states with broad-based income taxes reported growth in withholding in the second quarter of 2018, with nine states reporting double-digit growth. However, in 28 states growth in withholding was below the national average of 7.8 percent in the second quarter of 2018. First-quarter growth in withholding was particularly strong in California and New York in terms of dollar value. The strong growth in withholding in January and April is likely caused by one-time bonus payments in response to the TCJA.

Figure 3 shows monthly and year-to-date growth rates in withholding for state fiscal year 2018. Withholding was particularly strong in January and April but has weakened substantially in the subsequent months. Withholding in state fiscal year 2017 was $301.4 billion and represented 84.6 percent of overall individual income tax collections. Withholding grew by 7.3 percent, reaching $323.3 billion in state fiscal year 2018. However, withholding as a share of total individual income tax collections declined by 3.1 percent and represented 81.4 percent of overall individual income tax collections in state fiscal year 2018.

FIGURE 3

Withholding Was Substantially Stronger in January and April

Percentage change in withholding tax collections, state FY2018 and year to date



Source: Individual state government data.

Estimated Payments

The highest-income taxpayers generally make estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, such as capital gains realized in the stock market. Estimated payments normally represent a small proportion of overall income tax revenues but can have a large impact on the direction of overall collections. Estimated payments accounted for roughly 25.6 and 26.0 percent of total individual income tax revenues in the first and second quarters of 2018.

The first payment for each tax year is due in April in most states; the second, third, and fourth payments are generally due in June, September, and January (although many high-income taxpayers make the last state income tax payment in December, so that it is deductible on the federal tax return for that tax year, rather than the next). In some states, the first estimated payment includes payments with extension requests for income tax returns on the prior tax year, and is thus related partly to income in that prior tax year. Subsequent payments generally are related to income for the current tax year, although often that relationship is quite loose.

The first payment is usually difficult to interpret, as it can include a mix of payments related to the current tax year and the previous tax year. It can reflect, for example, stock market activity in the previous year. The second and third payments are easier to interpret because they are almost unambiguously related to the current year. Weakness in these payments can reflect weakness in nonwage income, such as that generated by the stock market. However, it can also be “noisy” in the sense that it reflects taxpayers’ responses to tax-payment rules as well as to expected nonwage income.

In the 38 states for which we have complete data, the median first payment (mostly attributable to the 2018 tax year) increased by 12.6 percent, in contrast to a 1.7 percent decline in the median first payment for tax year 2017. The median second payment for tax year 2018 grew by 9.3 percent, which is weaker compared with 1.8 percent growth in the median second payment for tax year 2017 (table A4).

States varied substantially in terms of growth rates in estimated payments. Estimated first and second payments for tax year 2018 increased in 32 states but declined in 6 states. Estimated first and second payments in just two states—California and New York—made up over 50 percent of the total estimated payments for the nation.

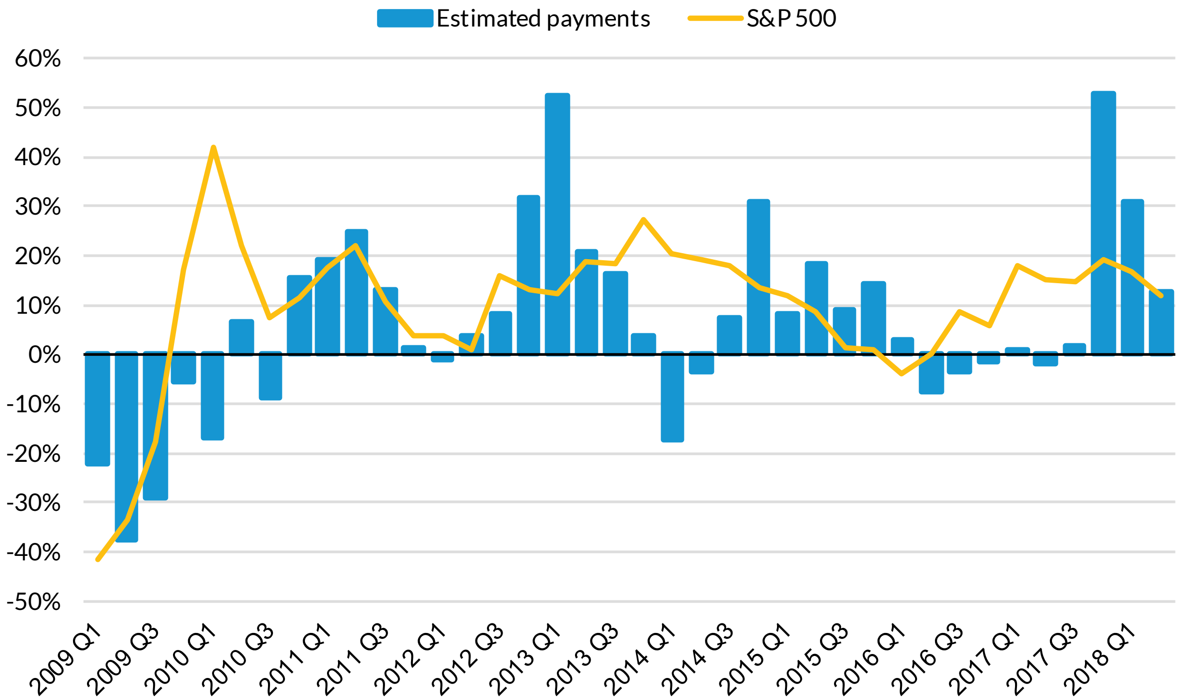
Figure 4 shows year-over-year percentage change by quarters in estimated payments and in the S&P 500 index for the last 10 years. The longer-term trends indicate large volatility in estimated payments, which is partially caused by the volatility in the stock market but also by the impact of various federal policy changes. For example, growth in estimated payments in the final quarter of 2012 and the first and second quarters of 2013 was much larger than the growth rates in the S&P 500 index, because estimated payments were tied to the impact of the “fiscal cliff” as the Congress raised top federal income tax rates for tax year 2013. Therefore, some high-income taxpayers accelerated income into tax year 2012 to avoid higher tax rates for subsequent years. This led to large declines in estimated payments in the following year. The substantial growth in estimated payments in the final quarter of 2017, as well as in the first quarter of 2018, is also tied to federal policy changes, as discussed above.

Estimated payments as a share of overall individual income taxes have grown over time. In state fiscal year 2018 estimated payments made up 22.3 percent of total individual income tax collections, up from 17.9 percent in fiscal 2010 and 20.0 percent in fiscal 2014. The growth in estimated payments, as well as the volatility tied to estimated payments, adds heightened uncertainty for state revenue forecasts.

FIGURE 4

Large Volatility in Estimated Payments

Year-over-year percentage change in estimated payments and S&P 500 index



Source: Individual state data (estimated payments) and Yahoo Finance (S&P500).

Final Payments

Final tax payments normally represent a small share of total individual income tax revenues in the first, third, and fourth quarters of the tax year, and a much larger share in the second quarter of the tax year because of the April 15 income tax return deadline. Final payments accounted for 5.6 percent of all individual income tax revenues in the first quarter of 2018 but only 22.4 percent in the second quarter.

Total final payments grew in the third quarter of 2017 after five consecutive quarterly declines and showed strong growth in the subsequent quarters. This again was likely attributable to the passage of the TCJA as discussed above. Table A5 shows year-over-year growth in final payments for state fiscal years 2017 and 2018. The median state reported consecutive declines in final payments for the first, second, and third quarters of 2017, followed by strong growth in the fourth quarter of 2017 and the first and second quarters of 2018. Final payments in the median state increased by 11.3 and 5.3 percent, respectively, in the first and second quarters of 2018.

Growth rates in final payments varied widely across the states. In the 38 states for which we have complete data, final payments increased in 32 states in the second quarter of 2018, with 11 states reporting double-digit growth.

Refunds

Individual income tax refunds usually represent a small share of total individual income tax revenues in the third and fourth quarters of the tax year, and a much larger share in the first and second quarters of the tax year.

Refunds grew by 6.2 and 0.8 percent, respectively, in the first and second quarters of 2018 compared with the same quarters in 2017. In total, states paid out about $1.6 billion and $0.2 billion more in refunds in the first and second quarters of 2018, respectively, compared with the same quarters in 2017. Overall, 23 states paid out more refunds in the first quarter of 2018 and 27 states paid out more refunds in the second quarter of 2018, compared with the same quarters in 2017. California and New York had the largest share of refund payouts in the first quarter of 2018. California paid out $0.5 billion more and New York paid out $0.7 billion more in refunds in the first quarter of 2018.

Earlier in 2018 many states projected higher than expected refunds in April after the passage of the TCJA, which led to substantial growth in estimated payments in December 2017 and January 2018. However, the growth in refunds was lower than expected in many states.

April Surprises: Actual versus Forecast Revenues

We collected data for those states that provide actual and forecasted data of monthly individual income tax revenue. Such information was available and easily retrievable for 24 states, and the data are presented in table 3 for April and May combined.

In 22 of 24 states, actual individual income tax collections in April/May 2018 were higher than in April–May 2017, with a median growth of 11.9 percent. The strong growth in individual income tax collections is driven by the strong growth in nonwage income, which is not expected to recur in the future.

TABLE 3

Actual versus Projected State Individual Income Tax Revenues

Dollar amounts in millions

	April–May 2017 actual	April–May 2018 actual	Percentage change in actual, 2017 to 2018	April–May 2018 forecast	April–May 2018 actual	Percentage variance, April–May 2018 actual from forecast
Median (24 states)			**11.9**			**2.9**
Average (24 states)	**$44.826.2**	**$51,178.8**	**14.2**	**$48,309.5**	**$51,178.8**	**5.9**
Arizona	$838.8	$932.7	11.2	$905.0	$932.7	3.1
Arkansas	$569.6	$536.1	-1.1	$578.7	$563.1	-2.7
California	$16,876.1	$18,992.9	12.5	$17,949.6	$18,992.9	5.8
Colorado	$1,527.7	$1,601.6	4.8	$1,810.4	$1,601.6	-11.5
Idaho	$442.7	$441.5	-0.3	$482.1	$441.5	-8.4
Illinois	$3,139.3	$4,579.1	45.9	$4,698.6	$4,579.1	-2.5
Indiana	$1,303.1	$1,389.7	6.6	$1,387.8	$1,389.7	0.1
Kansas	$477.4	$829.8	73.8	$687.3	$829.8	20.7
Maine	$323.3	$355.9	10.1	$304.7	$355.9	16.8
Massachusetts	$3,219.0	$3,453.0	7.3	$3,399.0	$3,453.0	1.6
Mississippi	$414.7	$435.8	5.1	$462.3	$435.8	-5.7
Montana	$254.2	$286.4	12.7	$312.6	$286.4	-8.4
Nebraska	$494.4	$515.8	4.3	$541.7	$515.8	-4.8
New Mexico	$334.2	$390.2	16.8	$344.4	$390.2	13.3
New York	$7,103.1	$8,040.0	13.2	$6,378.0	$8,040.0	26.1
North Dakota	$94.6	$119.8	26.7	$109.9	$119.8	9.0
Ohio	$1,338.4	$1,624.6	21.4	$1,433.6	$1,624.6	13.3
Oklahoma	$439.5	$514.5	17.1	$459.2	$514.5	12.0
Pennsylvania	$2,758.8	$3,008.5	9.0	$2,992.1	$3,008.5	0.5
Rhode Island	$234.0	$270.0	15.4	$261.9	$270.0	3.1
South Carolina	$591.5	$676.0	14.3	$658.0	$676.0	2.7
Vermont	$173.8	$209.8	20.7	$182.6	$209.8	14.9
West Virginia	$392.4	$424.7	8.2	$403.2	$424.7	5.3
Wisconsin	$1,485.7	$1,523.4	2.5	$1,567.1	$1,523.4	-2.8

Source: Individual state data, analysis by the author.

Many states underestimated income tax collections for April and May of 2018. In 16 states, actual individual income tax collections in April–May 2018 were above the forecasts, with a median underestimation of 2.9 percent. Some states prepared revenue forecasts for April–May 2018 before the TCJA passed; others updated their forecasts shortly thereafter. While forecasters in most states had anticipated changes in the federal tax policy, they still faced large fiscal uncertainties and could not factor in taxpayers' behavioral responses to the federal tax policy changes or other dynamic effects. Therefore, some states overestimated, while others underestimated, the growth in income tax revenues, some by sizable percentages.

Income tax windfalls in April–May 2018 eased the pressure for states and helped most enact timely FY 2019 budgets.

Corporate Income Taxes

State corporate income tax revenue is highly volatile because corporate profits and the timing of tax payments can vary (and shift) from quarter to quarter. Further, most states collect a small share of state revenues from corporate taxes and thus can experience large fluctuations in percentage terms with little budgetary impact. Average quarterly year-over-year growth rates in state corporate income tax collections were -0.7 percent in nominal terms and -2.2 percent in real terms for the past 10 years.

After three consecutive quarters of year-over-year growth, corporate income tax revenue declined by 3.6 percent in nominal terms and 5.5 percent in inflation-adjusted terms in the first quarter of 2018 compared with a year earlier. However, large disparities exist among states and regions. Corporate income tax collections increased in the Southwest, Rocky Mountain, and Far West regions and declined in all other regions. The Southeast region had the largest decline at 17.8 percent, followed by the New England region at 15.8 percent. Overall, corporate income tax collections declined in about half of the states.

State corporate income tax revenues are expected to fluctuate significantly in the coming months because of the passage of TCJA, which reduced the federal corporate income tax rate from 35 percent to 21 percent, and substantially modified the corporate income tax base. The TCJA may lead to increased corporate income tax collections in the states where tax codes conform to federal tax law. However, the composition of state economies and other factors would be at play as well. In addition, the TCJA has eliminated the corporate alternative minimum tax. Therefore, states are anticipating that some pass-through businesses would find it beneficial to restructure as C corporations and take advantage of lower corporate income tax rates. It will take a long time for state revenue forecasters to fully understand the behavioral responses of business entities to TCJA provisions.

General Sales Taxes

General state sales tax collections grew 4.4 percent in nominal terms and 2.4 percent in real terms in the first quarter of 2018 compared with the same period in 2017. Sales tax collections have grown continuously since the first quarter of 2010 in nominal terms.

Sales tax collections increased in all regions but the Great Lakes, where collections declined 0.6 percent. The Southwest and Rocky Mountain regions reported the strongest growth at 9.8 and 8.9 percent, respectively. Forty-two states reported increases in sales tax collections in the first quarter of 2018, with five states reporting double-digit growth.

Recent growth in sales tax collections has been very weak compared with historical norms. Since 2008, the average quarterly year-over-year growth rate in state sales tax collections was 2.4 percent in nominal terms and only 0.8 percent in real terms. By comparison, average annual growth rates were nearly double, and averaged 5.3 percent, between 1991 and 2007. The weak annual growth rates in sales tax collections are at least partially attributable to tax dollars lost in online retail sales.

The uncertainty and changing definitions surrounding the nexus for online sales tax have been an ongoing debate in the states. Internet sales grew substantially in the last decade and eroded the sales tax base. In the absence of a congressional measure, most states adopted individual measures such as enactment of nexus or "Amazon" laws to address the issue.

On June 21, 2018, the US Supreme Court made a landmark decision and ruled in favor of South Dakota in the *South Dakota v. Wayfair* case,[2] which ultimately gives states the authority to require out-of-state sellers with at least a specified amount of sales within the state to collect sales taxes and transfer the revenues to state governments. Since the Supreme Court's ruling, a number of bills have been introduced in Congress in an effort to regulate online state sales tax collections, but so far none of them have gained much traction.

While Congress is working on enacting a law on regulating online sales taxation, many states have been moving faster and introducing laws and regulations for sales tax collection by remote sellers. To date, 15 states have enacted laws or regulations since the Wayfair ruling and already require sales tax collections by remote sellers. In addition, nine states will enforce sales tax collections by remote sellers in the coming months: in Colorado, New Jersey, and North Carolina the effective date is set for November 1, 2018; in Connecticut the effective date is set for December 1, 2018; and in Georgia, Iowa, Louisiana, Nebraska, and Utah the effective date is set for January 1, 2019. Other states will likely follow suit and enact laws and regulations in the coming months.

However, legalization of online sales taxation raises concerns for those local jurisdictions around the country that operate independently and have independent taxing authority. In addition, most states have yet to decide how to impose sales tax collections on marketplace facilitators. Only eight states—Alabama, Arizona, Connecticut, Minnesota, Oklahoma, Pennsylvania, Rhode Island, and Washington—have so far enacted laws or regulations requiring marketplaces to collect sales taxes on behalf of their sellers. According to a recent study by the US Government Accountability Office, state and local governments could gain $8 billion to about $13 billion per year if the states are given the authority to impose sales tax collection from all remote sellers (US GAO 2017). These estimates might be higher than actual revenue collections in the current year because many large internet sellers are already collecting sales tax revenue. Further, some sales are being excluded because they are made by small sellers, albeit through a larger marketplace program.

Motor Fuel Taxes

States collected $11.4 billion in motor fuel sales tax in the first quarter of 2018, which represents 4.8 percent growth compared with the same period in 2017. However, the growth in the median state was only 2.4 percent in the first quarter of 2018.

Motor fuel sales tax collections have fluctuated after the Great Recession. Average quarterly year-over-year growth in state motor fuel tax collections was 2.4 percent in nominal terms and only 0.8 percent in real terms, over the last 10 years. Economic growth, changing gas prices, general increases in fuel efficiency, and changing driving habits all affect gasoline consumption and motor fuel taxes. Changes in state motor fuel rates also affect tax collections. In fiscal year 2018, several states have increased motor fuel sales tax rates. The most notable increases were in California and Indiana, where tax rate increases are expected to generate $2.1 and $0.3 billion additional revenues, respectively, in fiscal year 2018 (NASBO 2017).

Growth rates varied widely across the states and the regions. Motor fuel sales tax collections grew in all regions but the Mid-Atlantic and Southwest, where collections declined by 2.5 and 6.2 percent, respectively, in the first quarter of 2018, compared with the same quarter in 2017. The largest growth was in the Great Lakes and Far West regions, where collections grew by 17.0 and 11.8 percent, respectively. The double-digit growth in both regions was driven by the tax rate increases in California and Indiana. Thirteen states reported declines in motor fuel sales tax collections in the first quarter of 2018, while seven states reported double-digit growth.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes, including the state property tax, the tobacco products excise tax, the alcoholic beverage excise tax, motor vehicle and operators' license taxes, and some other taxes. In table A6, we show year-over-year growth rates of four-quarter average inflation-adjusted revenue for the nation as a whole. In the first quarter of 2018, states collected $52.7 billion from smaller tax sources, which comprised 21.3 percent of total state tax collections.

Overall, revenues from smaller taxes have been growing at a slower pace after the Great Recession. Average quarterly year-over-year growth rate in state tax revenues from smaller sources was 1.2 percent in real terms over the last 10 years.

Inflation-adjusted year-over-year growth in revenues from smaller tax sources was 2.3 percent in the first quarter of 2018. State property taxes, which represent a small portion of overall state tax revenues, grew by 0.6 percent. Growth was stronger in tobacco tax revenues at 3.9 percent, largely attributable to tax rate increases in some states, including Connecticut and Rhode Island. Tax revenues from alcoholic beverage sales grew at 0.5 percent, while tax revenue from motor vehicle and operators' licenses remained unchanged in the first quarter of 2018. Revenues from all other smaller tax sources increased by 3.0 percent in the first quarter of 2018.

Preliminary Overview of Tax Revenues in State Fiscal Year 2018

Through the first three quarters of fiscal 2018, states collected $711.7 billion in total tax revenues, a gain of 7.1 percent from $664.3 billion in the same period of fiscal 2017 (table A7). State individual income tax revenues showed strong growth at 11.6 percent in the first three quarters of state fiscal year 2018 compared with the same period of 2017. Other major sources of state government tax revenues also had solid growth: corporate income tax revenues grew by 5.5 percent, sales tax revenues by 4.0 percent, and motor fuel tax by 5.7 percent. The strong growth in overall tax revenues as well as in individual income tax revenues was driven by the strength of income tax revenues in few states. Growth rates were weaker in the median state, at 5.1 percent for overall state tax revenues and at 8.3 percent for individual income tax revenues.

All regions had growth in overall state tax collections in the first three quarters of fiscal 2018. The Rocky Mountain region had the strongest year-over-year growth at 10.6 percent, while the Southeast region had the softest growth at 3.7 percent. All states but Alaska reported growth in the first three quarters of fiscal 2018, with 11 states reporting double-digit growth. The strongest growth was reported in North Dakota and Wyoming at 15.4 and 15.0 percent, respectively, reflecting rebounds from weaker prior-year levels. Overall state tax revenue growth was also strong in the states with high reliance on individual income tax revenues, such as California, Connecticut, and New York.

All states with broad-based individual income tax collections reported growth in the first three quarters of state fiscal year 2018, with 16 states reporting double-digit growth. Forty-two of 45 states with broad-based sales tax collections reported growth in sales tax collections.

Preliminary data collected for the April–June quarter of 2018 show continued growth in all major sources of state tax revenues. Growth in overall state tax collections was 9.1 percent in the second quarter of 2018 compared with the same quarter in 2017. Individual income tax collections were once again strong at 10.8 percent, while sales tax revenues grew by 5.1 percent. Growth was also strong in corporate income tax revenues, at 17.9 percent.

Table A8 shows state-by-state changes in major tax revenues for the second quarter of 2018 compared with the same quarter of 2017. According to preliminary data, all states but Rhode Island and West Virginia had growth in overall state tax revenue collections, with 15 states reporting double-digit growth. Seventeen states reported double-digit growth in individual income tax collections and six states reported double-digit growth in sales tax collections in the second quarter of 2018.

Factors Driving State Tax Revenues

State revenues vary across place and time because of three underlying forces: state-level changes in the economy (which often differ from national trends), different ways in which national economic changes and trends affect each state's tax system, and legislated changes in tax rates or rules. The next two sections discuss changes in both economic conditions and recent changes in legislated tax changes.

Economic Indicators

Most state tax revenue sources are heavily influenced by the economy. In general, state taxes rise when the state economy grows, income taxes grow when income goes up, sales tax generates more revenue when consumers increase their purchases of taxable items, property taxes increase when housing prices go up, and so on. Below we examine the interplay between various economic indicators and associated state tax revenues.

State Gross Domestic Product

When the economy booms, tax revenues tend to rise rapidly and when it declines tax revenue tends to decline, though these changes have different patterns and timing. Figure 5 shows year-over-year growth for four-quarter moving averages in real (inflation-adjusted) state tax revenue and gross domestic product (GDP). We present moving averages to smooth short-term fluctuations and illustrate the interplay between the economy and state revenues. As shown in figure 5, real GDP growth increased since the second quarter of 2010 and grew by 2.4 percent in the first quarter of 2018. By contrast, real state tax revenue declined in the third quarter of 2014 as well as in the third and fourth quarters of 2016 and the first quarter of 2017, while growth in the first quarter of 2018 was more than twice as strong as the growth in real GDP. As discussed later, these changes are largely related to changes in tax rates.

Volatility in state tax revenue is not fully explained by changes in real GDP, a broad measure of the economy. State tax revenues became far more volatile in the past two decades compared with the general economy, mostly due to changes in state tax rates and policies as well as growing reliance on income tax. Declines in real state revenues were far steeper compared with the declines in real GDP during the Great Recession. State tax revenues have risen significantly in the last quarter of 2017 and the first quarter of 2018, while the overall economy has grown at a slower pace.

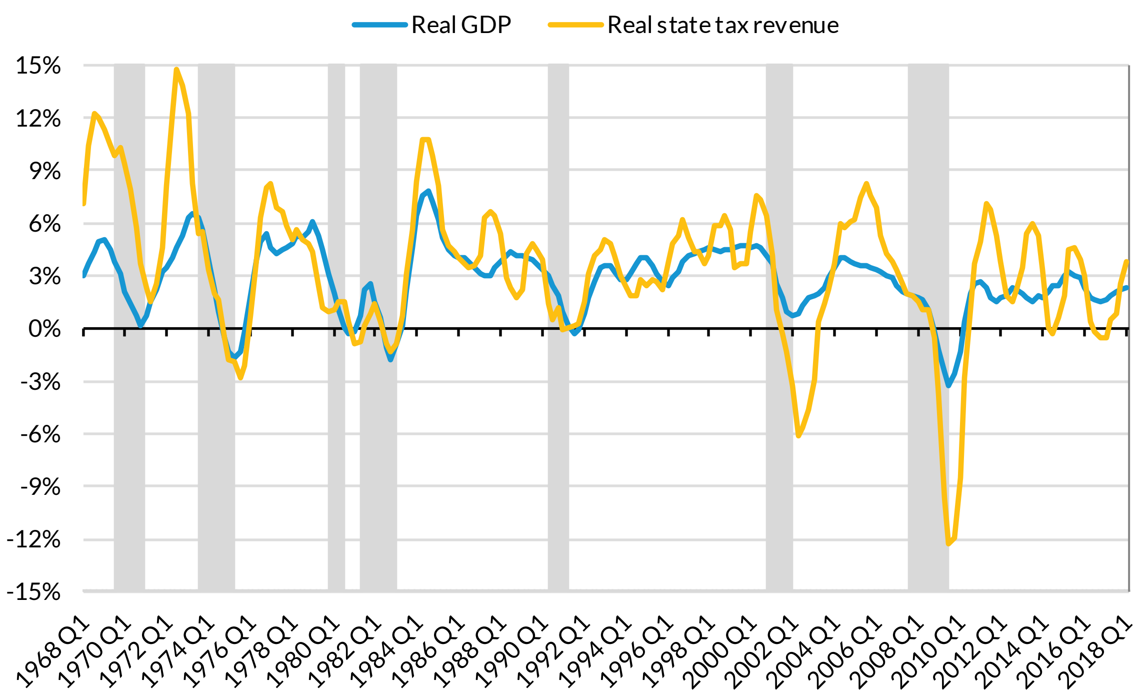
States varied substantially in terms of the correlation between growth rates in real state tax revenues and state GDP. Figure 6 shows growth for four-quarter moving averages in inflation-adjusted state tax revenue and in real state GDP in the first quarter of 2018 compared with the same quarter in 2017. By this measure, real state tax revenues increased in 43 states, while real state GDP increased in all 50 states in the first quarter of 2018. The percentage change in real state tax revenues ranged from -2.3 percent in New Hampshire to 12.0 percent in North Dakota, while the percentage change in real state GDP ranged from 0.1 percent in Kansas to 4.6 percent in Washington. In the first quarter of 2018, growth in real state tax revenues was lower than the national average of 3.8 percent in 34 states and growth in real state GDP was lower than the national average of 2.3 percent in another 34 states.

In general, states with the strongest growth in real state tax revenues were either oil-dependent or income tax–dependent states. Strong growth in oil-dependent states represented state revenue bouncing back from depressed levels the prior year. Oil prices (and revenues from oil) were lower in 2017. Strong growth in income tax–dependent states was largely attributable to income tax shifting in response to federal policy changes.

FIGURE 5

State Tax Revenue is More Volatile than the Economy

Year-over-year change in inflation-adjusted state taxes and real GDP



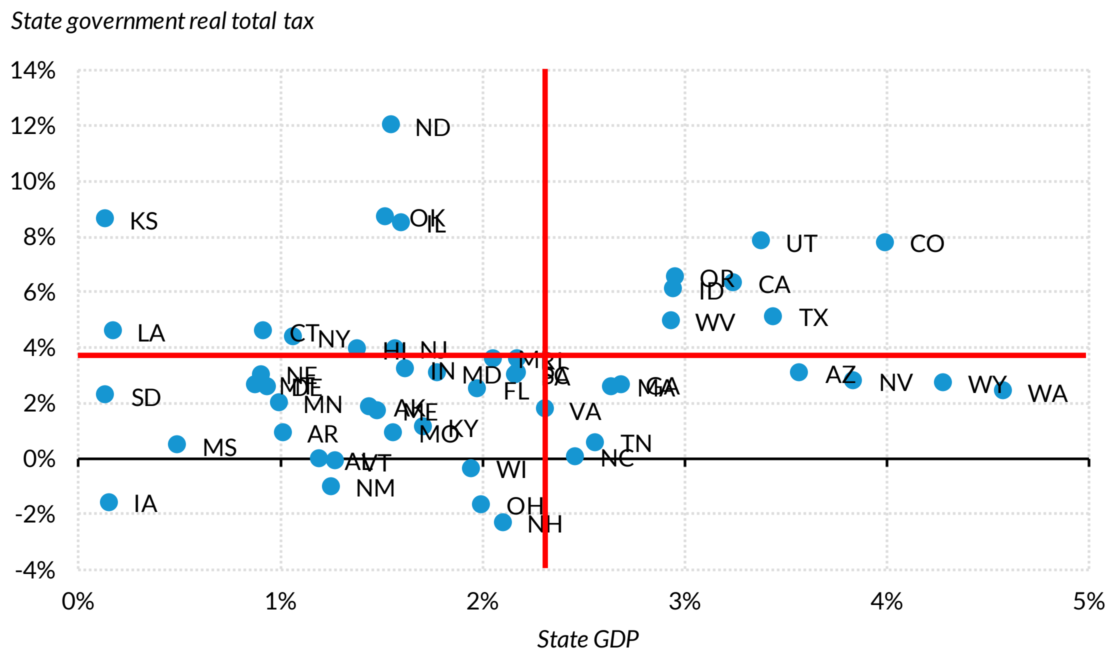
Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).

Notes: Year-over-year change is the percentage of four-quarter moving averages. Data are adjusted for inflation.

FIGURE 6

Growth Disparity: State Tax Revenues versus State GDP

Year-over-year change in state taxes and real GDP, 2018Q1 versus 2017Q1



Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP).
Notes: Year-over-year change is the percentage of four-quarter moving averages. Data are adjusted for inflation. Red lines are for US averages.

State Unemployment and Employment

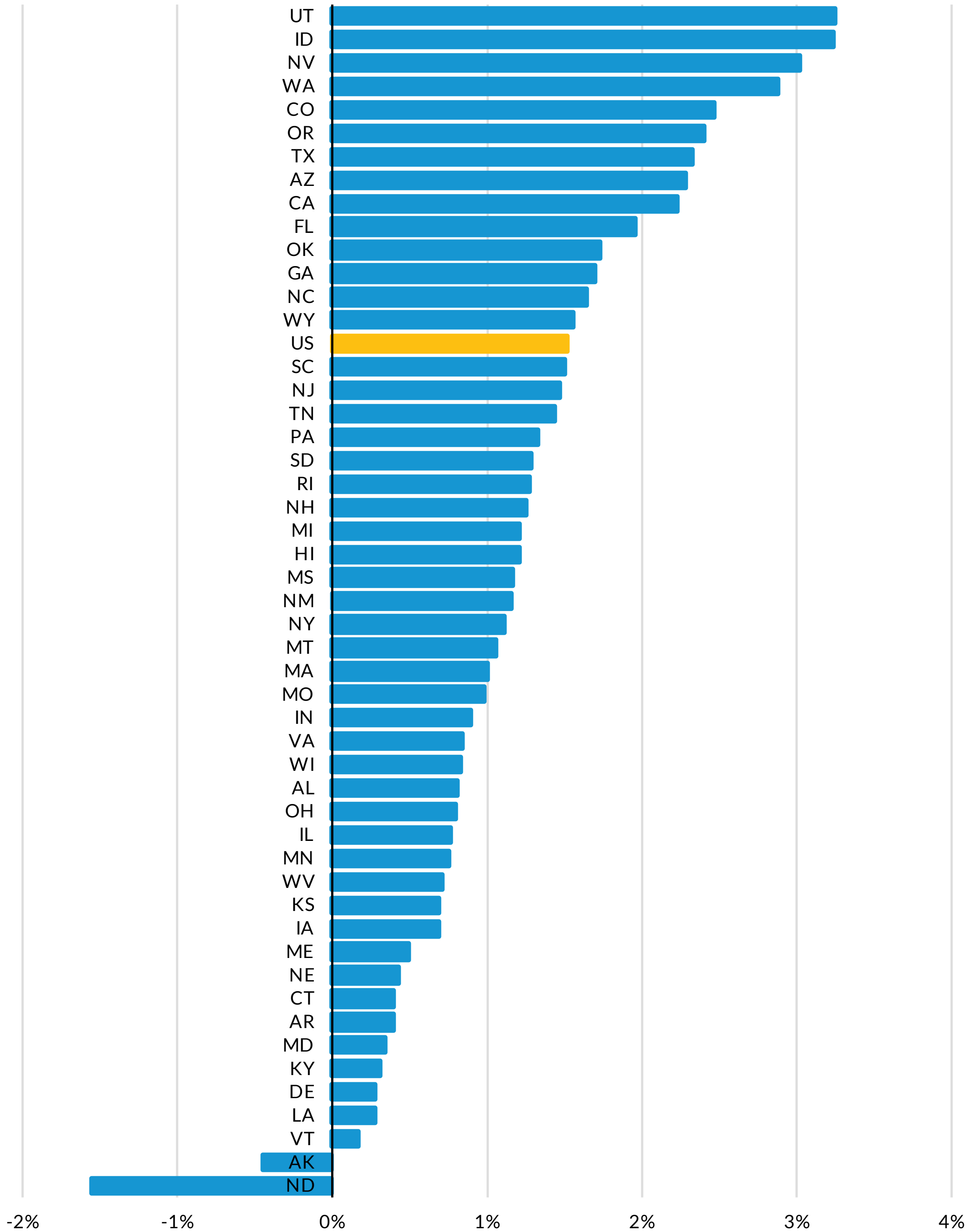
The national unemployment rate has seen steady declines since 2010 and was at 4.1 percent in the first quarter of 2018. Unemployment rates ranged from 2.1 percent in Hawaii to 7.3 percent in Alaska in the first quarter of 2018. While low unemployment rates are generally good for the economy and tax revenues, the recent decline in the unemployment rate was in part driven by a decline in the labor force caused by factors such as demographic shifts and retiring baby boomers. In addition, the unemployment rate excludes involuntary part-time workers (those who would prefer full-time work) as well as individuals who have stopped looking for a job but wanted and were available for work.[3]

Nationwide employment grew 1.5 percent in the first quarter of 2018 compared with the same quarter in 2017 (figure 7). Employment growth was weaker than the national average in 36 states. On a year-over-year basis, employment grew in 48 states. Two states—Alaska and North Dakota—reported declines at 0.4 and 1.6 percent, respectively.

FIGURE 7

Growth in Employment in the First Quarter of 2018

Year-over-year change in seasonally-adjusted employment, 2018Q1 versus 2017Q1



Source: Bureau of Labor Statistics.

Personal Consumption Expenditures

"Personal consumption expenditures" is a measure of national consumer spending. The measure shows the value of the goods and services purchased by American consumers and is correlated with the base for sales taxes. Figure 8 displays year-over-year percentage change in the four-quarter moving average of nominal personal consumption expenditures for durable goods, nondurable goods, and services, as well as for state sales tax collections. In addition, we show trends in the consumption of energy goods and services.

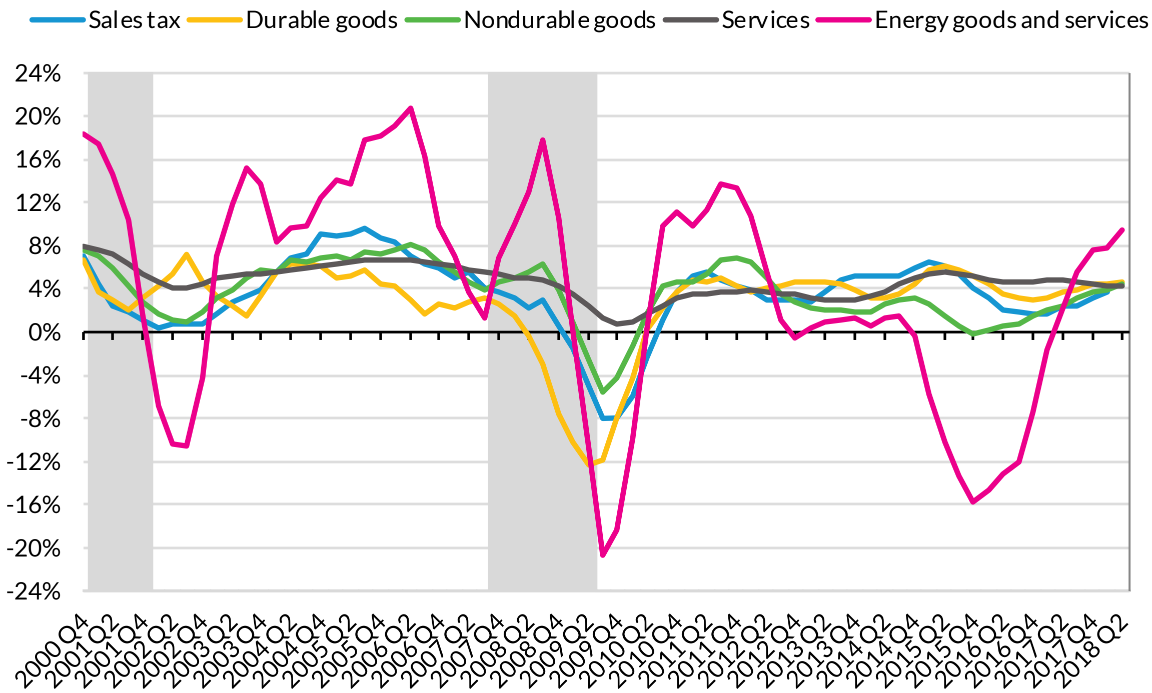
Growth in the consumption of durable goods, an important element of state sales tax bases, has been relatively volatile in the most recent quarters, trending downward throughout 2015 and 2016 and upward since the first quarter of 2017. Nondurable consumption spending declined in the fourth quarter of 2015 but has grown since then, showing strong growth in the first half of 2018. Nondurable goods are largely impacted by the trends in gasoline and other energy goods consumption. As shown in figure 8, total spending on energy goods and services declined dramatically in the last quarter of 2014 and throughout the first quarter of 2017, in response to steep declines in oil and gas prices. This decline in spending led to declines in general sales tax revenues, which are based on prices as well as quantity consumed.

Energy goods and services have been recovering from previously depressed levels. In the first half of 2018, growth in spending on energy goods and services was substantially stronger compared with the growth in spending on durable and nondurable goods. Spending on services has weakened in the first and second quarters of 2018, but services are often not included in the sales tax base. Overall, the current growth rates in both durable goods and services are weaker compared with growth rates observed since 2015, the last peak in durable goods. Consequently, current growth rates in state sales tax revenues are also substantially weaker compared with growth rates observed throughout 2014 and 2015.

FIGURE 8

Substantial Recovery in Energy Goods; Modest Growth in Sales Tax

Year-over-year percentage change in sales tax and personal consumption spending



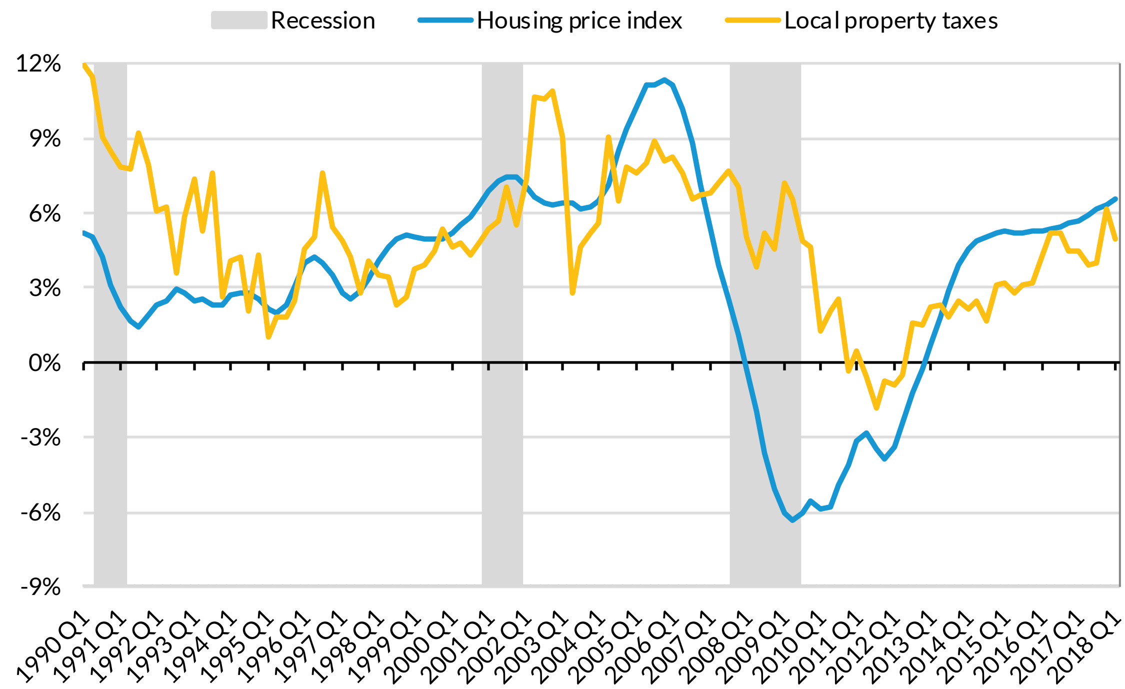
Sources: US Census Bureau (tax revenue) and Bureau of Economic Analysis, NIPA, table 2.3.5.
Notes: Year-over-year change is the percentage of four-quarter moving averages.

Figure 9 shows year-over-year percentage change in the four-quarter moving average of the housing price index and local property taxes. Housing prices saw deep declines during the Great Recession, which led to a significant slowdown in local property tax growth and then to an actual decline in fiscal year years 2011 and 2012.[4] The housing price index began moving down in mid-2005, with steeply negative movement from the last quarter of 2005 through the second quarter of 2009, though actual patterns varied across states and regions. The trend in the housing price index and local property taxes has been generally upward over the past six years. National average housing prices appreciated 6.5 percent in the first quarter of 2018 from one year ago, while local property taxes grew by 5.0 percent during the same period.

FIGURE 9

Continued Growth in Housing Prices and Local Property Taxes

Year-over-year percentage change in housing prices versus local property taxes



Sources: US Census Bureau (tax revenue) and Federal Housing Finance Agency (house price indexes).
Notes: Year-over-year change is the percentage of four-quarter moving averages.

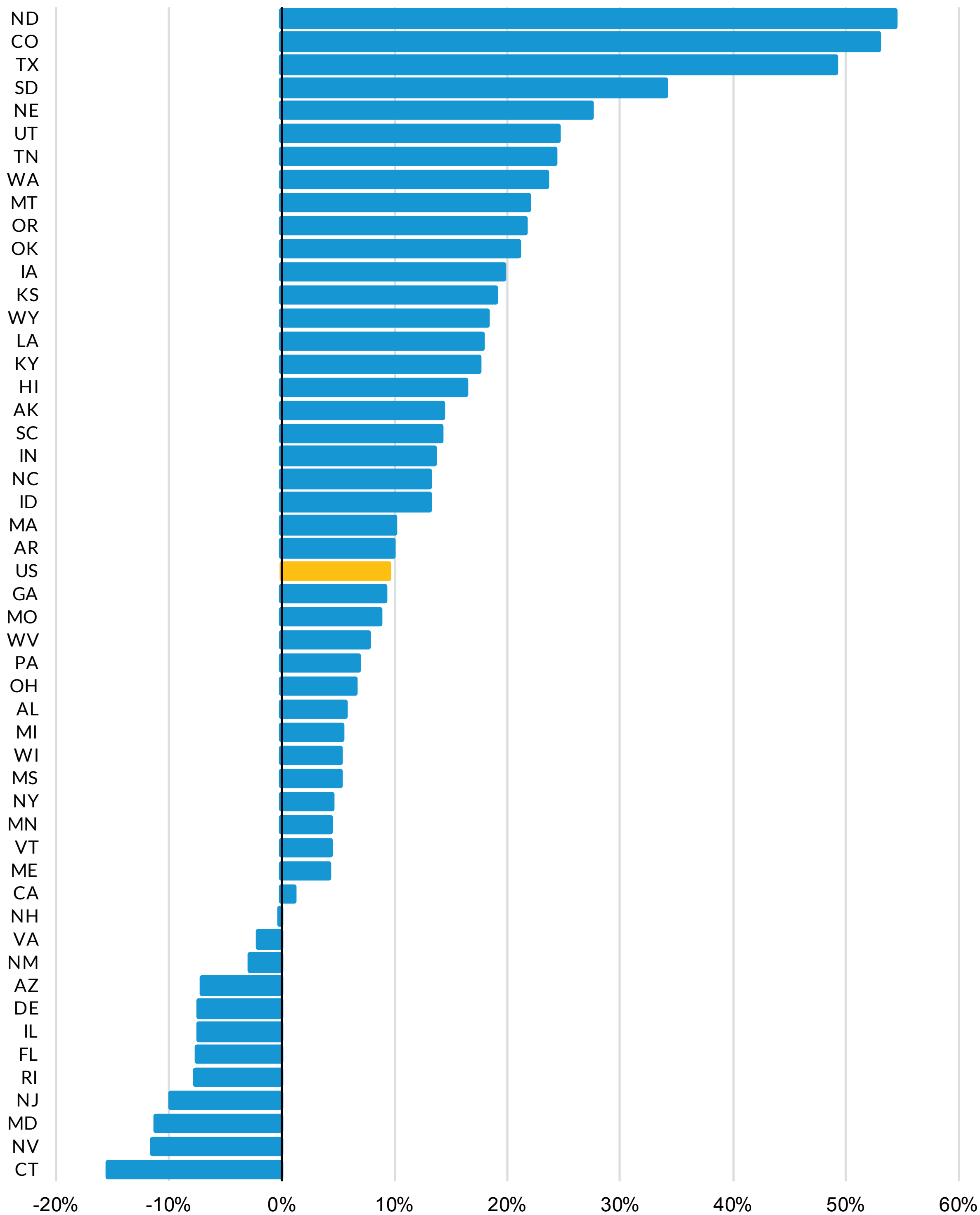
Statewide housing price indexes increased in all states in the first quarter of 2018, ranging from a 0.8 percent increase in North Dakota to 13.4 percent in Nevada. Growth in 38 states was below the national average of 6.9 percent.

Despite continuous and strong nationwide growth in the housing market, prices are still below their prerecession peaks in several states. Figure 10 shows the state-by-state nominal percentage change in housing price indexes at the end of the first quarter of 2018 compared with the first quarter of 2007, when housing prices were at their peak level.

FIGURE 10

Growth in Housing Price Indexes Since the Prerecession Peak

Percent change in housing prices from pre-recession peak level, 2018Q1 versus 2007Q1



Source: Federal Housing Finance Agency (house price indexes).

National average housing prices have grown 9.5 percent in nominal terms, between the first quarter of 2007 and the first quarter of 2018. However, there are substantial variations among the states. Housing prices grew in 38 states but declined in 12 states during the 11-year period ending in the first quarter of 2018. The four hardest-hit states—Connecticut, Maryland, Nevada, and New Jersey—all had declines of 10 percent or more in statewide average housing prices. Connecticut had the greatest decline, 15.4 percent. On the other hand, statewide housing price indexes increased by double digits in 23 states over this period. In 11 states, growth in statewide average housing prices was over 20 percent, with Colorado and North Dakota having the highest growth rates at 52.9 and 54.4 percent, respectively.

Many states raised concerns about tight housing supply and rising demand. In 2007, before the fall in housing prices, the 30-year fixed rate mortgage averaged around 6.4 percent. Mortgage rates have declined substantially since then and currently are averaging around 4.5 percent.[5] The low mortgage rate, widely available financing options, and stronger labor market forces have raised the demand for housing, which in turn will continue pushing housing prices higher. The growth in housing prices will eventually pose a risk to affordability unless quantities increase.

Tax Law Changes Affecting the First Quarter of 2018

Anticipated and actual federal policy changes had a substantial impact on state tax revenues in the most recent quarters. However, another important element affecting state tax revenue trends is changes in state tax laws. Many states had enacted tax rate changes for fiscal year 2018, partly because actual tax revenue collections were lower than anticipated in fiscal year 2017. During the January–March 2018 quarter, enacted tax increases and decreases produced an estimated gain of $2.7 billion compared with the same period in 2017.[6] State enacted tax changes substantially increased both individual income and motor fuel taxes by $1.0 billion each in the first quarter of 2018, reflecting rate increases. Tax changes decreased sales taxes by $11 million, increased corporate income taxes by $169 million, and increased some other taxes by approximately $494 million. Below, we discuss some of the major enacted tax changes for fiscal year 2018.

Thirteen states enacted individual income tax decreases, while eight states enacted tax increases. The largest increase was in Illinois, where raising the flat tax rate from 3.75 percent to 4.95 percent was estimated to result in a $3.9 billion increase in individual income tax collections in fiscal year 2018 (Illinois Department of Revenue 2017b). Lawmakers in Kansas also enacted tax changes estimated to increase individual income tax collections by $582 million in fiscal year 2018. In fact, officials in Kansas created an additional tax bracket and increased income tax rates retroactively for fiscal year 2017, then increased rates further for fiscal year 2018 (Kansas Department of Revenue 2017). The income tax rate increases in Kansas came five years after the state had made headlines in 2012 for its approach to stimulating economic growth: enacting sweeping income tax rate cuts and setting the tax rate on pass-through income to zero.

Eight states enacted corporate income tax decreases and five states enacted increases. The largest corporate income tax change was in Illinois, where the corporate income tax rate increased from 5.25 to 7.00 percent for corporations (Illinois Department of Revenue 2017b). This increase was projected to raise $460 million in fiscal year 2018. Officials in Pennsylvania removed a $5 million cap on net operating loss deductions for corporate income tax and increased the percentage cap from 30 percent to 35 percent in tax year 2018 and to 40 percent in tax year 2019 and thereafter.[7] These changes are expected to increase corporate income tax collections by $269 million in fiscal year 2018.

Twelve states enacted sales tax decreases and 10 states enacted increases. The estimated impact of each state's changes is not significant for fiscal year 2018, unlike the substantial changes observed in the previous year. Legislated tax changes were estimated to increase sales tax revenues by $13 million in fiscal 2018.

Seven states enacted motor fuel tax increases. The most noticeable legislated changes were in California, where the gasoline tax was increased by $0.12 per gallon and the diesel fuel surtax was increased by $0.20 per gallon. In addition, lawmakers increased the sales and use surtax on diesel fuel from 1.75 percent to 5.75 percent.[8] These changes are expected to increase motor fuel tax revenue collections in California by $783 million in the first quarter of 2018 and $2.1 billion in fiscal year 2018. Officials in Indiana introduced a complex package of tax and fee increases, which will help fund transportation infrastructure and is expected to raise $328 million in fiscal 2018.[9]

Other major tax changes include property tax increases in Washington to fund education, with a projected net increase of $541 million in fiscal year 2018.[10] The governor in Oregon signed into law a health care tax package designed to fund Medicaid services. The provisions of the law went into effect on January 1, 2018, and were estimated to generate additional $180 million in fiscal year 2018. The health care tax package included new taxes and requirements for health care providers and insurers.[11]

Overall, more states enacted significant tax changes in the past three fiscal years. The estimated impact of net enacted tax changes was substantial for fiscal year 2018, with an estimated net increase of $8.8 billion. Legislated tax actions also increased tax revenues in fiscal years 2016 and 2017, though the estimated net impact was under $1 billion in both years. By contrast, the net enacted tax changes were estimated to reduce revenues in fiscal years 2014 and 2015 by $2.1 billion and $1.9 billion, respectively.

Conclusion

Despite continuous economic growth, state and local government tax revenues have fluctuated substantially in the recent past, mostly driven by taxpayers anticipating and then reacting to federal tax changes. Last year officials in many states faced large fiscal uncertainties and falling revenues while preparing the budgets for fiscal year 2018. As a result, a handful of states had enacted significant tax changes for fiscal year 2018, which were estimated to increase state revenues by $8.8 billion. The enacted tax revenue changes, coupled with the boosted tax revenues attributable to federal tax policy changes, helped the states end fiscal year 2018 on a positive note. However, large fiscal uncertainties lie ahead for the states in the coming months as state revenues fluctuate in response to federal income tax changes, the Wayfair decision, and state responses to both.

Income tax revenue collections in 2018 were boosted related to income earned in 2017, stemming from both anticipation of and passage of the TCJA and the final realization date for Emergency Economic Stabilization Act of 2008 policies. Growth rates were higher, partly reflecting lower-than-anticipated revenues in 2017, and we expect them to soften in the coming quarters. We expect to see states respond to the changes in federal law and for the federal government to respond. For example, after passage of new charitable credits in New York, New Jersey, and Connecticut, the Treasury released regulations about the quid pro quo treatment of these contributions.

Second, the TCJA's repatriation provision has complicated implications for state corporate tax revenues. US corporate offshore earnings are estimated to be around $3.0 trillion and for a long time have been sheltered from US taxation. The new provisions under the TCJA deemed these earnings to be repatriated and subject to US tax at preferential tax rates, and these overseas profits will be taxed at 8.0 percent for illiquid holdings or at 15.5 percent for cash. This provision will raise Federal revenues while reducing constraints on multi-national firms using these previously untaxed foreign earnings. Repatriated income may also be subject to state income taxation, which will boost corporate income tax revenues, but clarifying regulations are needed.

Third, the US Supreme Court's decision in *South Dakota v. Wayfair* has encouraged state governments to explore expanding their authority over online sales taxation and to require that remote sellers collect sales tax, which will subsequently increase state sales tax revenues.[12]

Fourth, after the US Supreme Court lifted the ban on sports betting on May 14, four states—Delaware, Mississippi, New Jersey, and West Virginia—took rapid measures to legalize sports betting, while other states are weighing similar measures. Sports betting could bring in additional revenue for the states in the short run.

Last, but not least, uncertainty in trade policies and the implementation and threat of new tariffs by the United States and retaliatory policies by trade partners are expected to increase uncertainty for state economic conditions. This is especially true for those states with industries that will be most affected, including agriculture and different manufacturing industries.

In brief, these are both interesting and challenging times for state and local governments. Despite strong growth in this year's state and local tax revenues and economic conditions, state and local governments continue to face large fiscal uncertainties.

Appendix A. Additional Tables

TABLE A1

Quarterly State Government Tax Revenue by Major Tax

	Nominal Y-O-Y percentage change						Real Y-O-Y percentage change				
	IIT	CIT	Sales	MFT	Total tax	Inflation rate	IIT	CIT	Sales	MFT	Total tax
2008 Q1–2018 Q1 average growth	**4.0**	**-0.7**	**2.4**	**2.4**	**2.8**	**1.6**	**2.3**	**-2.2**	**0.8**	**0.8**	**1.2**
2018 Q1	15.0	-3.6	4.4	4.8	8.1	2.0	12.8	-5.5	2.4	2.8	6.0
2017 Q4	15.1	12.2	4.7	8.1	9.2	2.0	12.9	10.1	2.7	6.0	7.1
2017 Q3	4.3	6.8	2.9	4.3	4.0	1.9	2.4	4.8	1.0	2.4	2.0
2017 Q2	-0.5	13.8	3.0	4.5	2.3	1.7	-2.2	11.9	1.3	2.7	0.6
2017 Q1	8.2	-28.3	2.1	0.9	3.1	2.1	6.0	-29.8	-0.0	-1.1	1.0
2016 Q4	0.3	-3.3	1.6	1.2	1.3	1.5	-1.2	-4.8	0.1	-0.3	-0.2
2016 Q3	2.6	-9.0	2.8	1.2	1.5	1.0	1.5	-9.9	1.8	0.2	0.4
2016 Q2	-2.6	-10.1	0.4	0.3	-1.7	0.9	-3.5	-11.0	-0.5	-0.7	-2.7
2016 Q1	1.7	-5.5	2.0	2.9	1.6	0.9	0.8	-6.3	1.1	2.0	0.
2016 Q4	5.2	-9.2	2.5	3.5	2.4	0.9	4.3	-10.0	1.6	2.6	1.5
2015 Q3	6.4	0.1	3.8	4.8	4.1	0.9	5.4	-0.8	2.8	3.8	3.1
2015 Q2	13.9	5.9	4.2	3.1	7.2	1.1	12.6	4.7	3.0	2.0	6.0
2015 Q1	7.1	3.4	6.1	4.3	5.6	1.2	5.8	2.2	4.9	3.1	4.4
2014 Q4	8.5	9.8	7.6	2.4	6.2	1.6	6.8	8.0	5.9	0.8	4.6
2014 Q3	4.2	7.3	7.1	0.6	4.6	2.1	2.2	5.1	5.0	-1.4	2.5
2014 Q2	-6.5	-1.2	5.1	4.0	-0.7	2.1	-8.4	-3.2	2.9	1.9	-2.7
2014 Q1	-0.9	8.1	4.0	2.8	0.8	1.8	-2.7	6.2	2.1	1.0	-1.0
2013 Q4	0.7	3.1	4.7	3.5	2.8	1.8	-1.1	1.2	2.9	1.7	1.0
2013 Q3	5.7	1.9	7.0	2.9	5.9	1.7	3.9	0.2	5.2	1.2	4.2
2013 Q2	18.5	11.6	5.2	2.1	10.1	1.7	16.4	9.7	3.4	0.3	8.2
2013 Q1	17.9	9.3	3.9	-1.4	9.3	1.9	15.8	7.3	2.0	-3.2	7.3
2012 Q4	10.7	3.4	3.4	1.3	5.8	2.1	8.4	1.3	1.3	-0.7	3.6
2012 Q3	4.4	9.5	1.8	2.1	3.2	1.8	2.5	7.6	-0.0	0.3	1.4
2012 Q2	5.8	-2.3	2.3	1.7	3.6	1.7	4.0	-3.9	0.5	-0.1	1.8
2012 Q1	4.4	3.6	4.9	1.0	4.0	2.1	2.3	1.5	2.7	-1.0	1.9
2011 Q4	3.3	-7.1	3.0	0.7	3.1	2.0	1.3	-8.9	1.0	-1.2	1.1
2011 Q3	9.4	2.0	1.6	-0.2	5.2	2.4	6.9	-0.3	-0.7	-2.5	2.8
2011 Q2	15.2	18.4	5.8	7.4	11.1	2.2	12.7	15.9	3.5	5.2	8.8
2011 Q1	12.2	4.3	6.3	13.3	10.2	1.9	10.2	2.4	4.3	11.3	8.1
2010 Q4	10.5	20.4	5.4	11.8	8.5	1.6	8.8	18.6	3.7	10.1	6.9
2010 Q3	4.4	0.1	4.5	10.7	5.7	1.4	3.0	-1.3	3.0	9.1	4.2
2010 Q2	2.1	-18.8	4.5	4.1	2.4	1.1	1.0	-19.7	3.3	2.9	1.3
2010 Q1	3.3	-0.1	0.3	-0.1	3.2	0.6	2.8	-0.7	-0.2	-0.7	2.6
2009 Q4	-4.1	-2.5	-4.7	-1.5	-3.3	0.4	-4.5	-2.8	-5.1	-1.9	-3.6
2009 Q3	-11.3	-21.7	-9.7	2.3	-10.9	0.3	-11.5	-21.9	-9.9	2.1	-11.2
2009 Q2	-27.2	1.4	-8.7	-1.5	-16.3	1.0	-27.9	0.4	-9.6	-2.5	-17.1
2009 Q1	-18.1	-19.6	-8.2	-3.6	-12.0	1.5	-19.3	-20.7	-9.6	-5.0	-13.3
2008 Q4	-1.4	-20.3	-5.4	-5.0	-4.0	1.9	-3.2	-21.8	-7.1	-6.8	-5.8
2008 Q3	1.3	-12.4	3.3	-5.0	2.3	2.1	-0.8	-14.2	1.2	-6.9	0.2
2008 Q2	7.4	-7.1	3.6	-3.1	3.9	1.7	5.6	-8.7	1.9	-4.7	2.2
2008 Q1	5.3	-1.7	0.5	1.1	2.6	2.0	3.3	-3.6	-1.4	-0.8	0.6

Source: US Census Bureau (tax revenue) with adjustments by the author and Bureau of Economic Analysis (GDP).

Notes: CIT = corporate income tax; IIT = individual income tax; MFT = motor fuel tax; Y-O-Y = year over year.

TABLE A2

Quarterly State Government Tax Revenue, by State

Nominal percentage change, 2018 Q1 versus 2017 Q1

	IIT	CIT	Sales	MFT	Total tax
US (median)	**10.8**	**-3.3**	**4.5**	**2.4**	**6.8**
US (average)	**15.0**	**3.6**	**4.4**	**4.8**	**8.1**
New England	***24.6***	***-15.8***	***4.0***	***3.8***	***9.5***
Connecticut	51.4	-13.7	2.4	3.5	20.1
Maine	5.5	17.5	6.3	1.9	5.2
Massachusetts	12.5	-24.3	4.1	1.2	5.0
New Hampshire	-3.9	27.6	N/A	25.6	5.0
Rhode Island	10.4	-21.4	6.9	0.2	5.4
Vermont	7.0	-9.6	7.6	-0.2	2.3
Mid-Atlantic	***15.7***	***-9.9***	***3.1***	***-2.5***	***8.4***
Delaware	9.1	-14.0	N/A	4.4	5.5
Maryland	11.1	-12.5	1.9	-12.7	4.6
New Jersey	11.8	-50.4	1.3	-5.0	3.4
New York	18.9	3.6	4.7	1.1	14.6
Pennsylvania	8.7	-5.4	3.0	-0.5	0.9
Great Lakes	***22.8***	***-0.1***	***-0.6***	***17.0***	***8.8***
Illinois	43.2	15.2	-1.8	2.2	18.1
Indiana	16.1	-80.7	2.1	70.5	8.5
Michigan	11.8	181.5	4.5	85.1	13.7
Ohio	21.3	-73.6	-5.2	-10.6	0.6
Wisconsin	-4.2	-48.0	3.6	-4.0	-3.3
Plains	***14.0***	***-3.7***	***3.5***	***2.4***	***8.5***
Iowa	7.0	-5.9	2.6	-4.0	3.5
Kansas	66.6	-11.2	0.7	6.1	18.6
Minnesota	12.2	8.3	4.2	3.7	7.0
Missouri	6.6	NM	4.6	-1.3	4.1
Nebraska	10.9	-9.4	2.1	13.0	7.0
North Dakota	12.9	70.6	5.3	5.1	23.9
South Dakota	N/A	2.2	7.5	5.9	6.8
Southeast	***10.7***	***-17.8***	***4.4***	***4.7***	***4.7***
Alabama	3.4	-22.7	3.5	3.0	0.8
Arkansas	9.4	8.1	3.6	0.9	2.4
Florida	N/A	-2.9	6.4	5.8	5.9
Georgia	14.0	-3.7	5.1	2.4	6.8
Kentucky	8.9	-5.7	5.0	2.6	4.9
Louisiana	5.3	NM	-1.6	5.3	-2.7
Mississippi	9.7	0.9	1.2	-9.2	2.1
North Carolina	14.3	23.2	3.4	2.2	8.3
South Carolina	20.8	-15.1	3.5	16.6	10.9
Tennessee	NM	-28.5	4.9	16.0	0.1
Virginia	6.9	-29.3	1.5	2.4	3.4
West Virginia	6.3	NM	3.0	2.4	12.8
Southwest	***6.9***	***233.2***	***9.8***	***-6.2***	***9.5***
Arizona	10.7	NM	7.0	-48.8	5.8
New Mexico	-18.1	102.5	16.2	2.4	6.8
Oklahoma	13.8	103.4	16.9	3.9	17.0
Texas	N/A	N/A	9.4	3.2	9.6
Rocky Mountain	***16.8***	***146.5***	***8.9***	***0.9***	***12.3***
Colorado	21.7	258.0	7.1	0.3	15.1
Idaho	29.5	42.1	9.9	0.8	15.1
Montana	15.8	184.0	N/A	-14.5	4.8

Utah	1.3	102.5	7.6	9.0	8.1
Wyoming	N/A	N/A	20.1	9.6	13.1
Far West	***11.5***	***3.7***	***5.0***	***11.8***	***8.9***
Alaska	N/A	NM	N/A	-22.7	-4.7
California	12.4	3.2	3.2	17.4	8.9
Hawaii	-7.7	NM	15.3	-7.3	8.4
Nevada	N/A	N/A	11.4	5.3	6.9
Oregon	8.0	30.1	N/A	2.4	7.3
Washington	N/A	N/A	5.2	1.5	10.7

Source: US Census Bureau (tax revenue), with adjustments by the author.

Notes: CIT = corporate income tax; IIT = individual income tax; MFT = motor fuel tax; N/A = not applicable; NM = not meaningful.

TABLE A3

State Individual Income Tax Withholding

Year-over-year nominal percentage change

	State FY2017				State FY2018			
	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
US (median)	**4.0**	**3.5**	**4.7**	**5.0**	**4.4**	**5.4**	**5.5**	**5.9**
US (average)	**3.7**	**3.1**	**6.1**	**6.4**	**5.2**	**7.2**	**8.9**	**7.4**
New England	***4.6***	***1.4***	***2.1***	***5.0***	***4.5***	***5.7***	***5.8***	***6.6***
Connecticut	4.0	-1.9	1.5	1.7	2.2	3.4	6.2	4.5
Maine	-5.9	-8.8	3.5	3.9	3.3	5.8	5.2	8.7
Massachusetts	6.0	3.9	2.8	6.9	5.8	7.1	5.2	7.6
Rhode Island	7.9	4.7	3.6	3.0	4.2	4.4	3.9	6.0
Vermont	1.5	3.7	-12.0	6.5	3.5	3.4	21.4	4.2
Mid-Atlantic	***0.2***	***3.0***	***5.8***	***7.0***	***3.7***	***6.2***	***8.1***	***4.8***
Delaware	1.6	2.7	9.2	6.2	4.7	4.8	5.9	2.3
Maryland	8.4	2.0	4.7	10.0	-2.9	4.4	4.6	5.5
New Jersey	-9.1	6.2	10.0	13.0	7.3	5.2	7.0	5.0
New York	0.9	2.5	5.2	4.9	4.6	7.8	10.3	4.6
Pennsylvania	-1.4	2.7	4.4	3.7	4.4	4.4	4.3	4.5
Great Lakes	***1.3***	***2.5***	***5.1***	***6.2***	***8.8***	***12.1***	***14.5***	***13.0***
Illinois	-4.7	1.7	8.6	7.8	26.3	29.3	36.6	27.3
Indiana	4.6	4.6	5.4	5.2	5.6	7.0	11.1	9.6
Michigan	4.9	2.3	3.9	4.7	-3.0	3.8	2.1	1.1
Ohio	1.1	-0.8	3.5	4.6	3.2	4.7	4.9	4.6
Wisconsin	4.8	6.0	1.9	7.8	4.6	6.0	4.6	3.5
Plains	***5.9***	***2.3***	***4.8***	***5.3***	***5.3***	***5.8***	***6.4***	***6.8***
Iowa	4.0	4.8	1.1	4.4	5.4	3.4	4.8	11.0
Kansas	3.5	2.9	3.8	3.8	13.4	20.0	19.2	23.6
Minnesota	9.0	1.3	7.1	6.9	3.7	4.8	6.0	4.4
Missouri	5.5	3.0	4.7	4.7	5.5	3.6	3.2	1.3
Nebraska	6.2	3.4	5.9	3.6	1.7	5.5	5.5	5.9
North Dakota	-23.4	-16.9	-9.9	-1.2	5.9	0.7	0.8	13.3
Southeast	***3.8***	***4.4***	***5.0***	***4.2***	***2.1***	***3.0***	***5.1***	***6.1***
Alabama	2.4	3.9	3.1	4.3	5.3	4.1	5.5	8.6
Arkansas	3.6	4.5	4.6	8.5	5.9	4.7	3.8	4.1
Georgia	4.6	5.5	7.3	5.5	2.9	5.6	4.7	2.8
Kentucky	4.9	3.5	2.3	3.5	3.9	3.3	2.5	3.5
Louisiana	-0.6	-5.5	8.8	2.9	-4.2	11.7	-0.9	15.5
Mississippi	1.6	2.2	1.6	2.6	3.1	3.4	2.2	3.8
North Carolina	3.6	6.4	2.3	0.2	-1.8	-3.1	7.3	5.8
South Carolina	7.5	6.7	5.1	7.6	1.7	5.3	5.8	2.5
Virginia	4.1	4.8	6.7	5.0	4.0	2.0	6.5	9.0
West Virginia	-1.0	-0.1	1.9	5.1	4.5	5.4	4.5	9.1
Southwest	***-1.0***	***-0.5***	***6.0***	***4.0***	***4.6***	***6.9***	***8.0***	***7.7***
Arizona	5.1	4.0	7.9	4.8	5.4	5.7	7.3	5.0
New Mexico	-6.8	-5.5	6.6	-7.0	0.8	10.7	9.9	24.7
Oklahoma	-6.4	-4.1	3.1	7.5	5.2	6.9	8.2	5.3
Rocky Mountain	***5.4***	***4.3***	***7.7***	***8.2***	***6.7***	***8.8***	***6.2***	***10.0***
Colorado	3.9	3.8	7.4	8.4	6.8	7.7	8.5	6.7
Idaho	7.9	6.4	9.3	8.0	8.6	15.1	8.8	7.7
Montana	3.7	1.2	6.8	5.5	3.9	10.0	5.0	5.9
Utah	7.8	5.3	7.7	8.6	6.6	7.7	0.8	18.4
Far West	***8.5***	***3.6***	***9.4***	***8.6***	***6.9***	***9.0***	***11.4***	***7.4***
California	8.8	3.6	9.6	8.9	7.4	9.0	12.2	6.8

Hawaii	5.9	4.2	12.0	1.2	-0.8	11.8	-10.9	38.7
Oregon	6.9	3.7	7.3	8.2	5.4	7.7	9.5	4.6

Source: Individual state data, analysis by the author.

Notes: Nine states—Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming—have no broad-based individual income tax and are not shown in this table.

TABLE A4

State Individual Income Tax Estimated Payments/Declarations

Year-over-year nominal percentage change

	Payments for tax year 2017		Payments for tax year 2018	
	April 2017, first payment	**June 2017, second payment**	**April 2018, first payment**	**June 2018, second payment**
Median	**-1.7**	**1.8**	**12.6**	**9.3**
Average	**-4.3**	**1.6**	**9.3**	**17.2**
Alabama	-23.3	0.8	42.5	7.2
Arizona	11.1	4.2	8.3	11.8
Arkansas	-1.6	-2.8	3.9	3.3
California	-0.8	2.9	13.2	20.9
Colorado	12.2	6.5	-7.1	13.3
Connecticut	-7.2	-6.1	14.0	36.8
Delaware	-3.3	10.1	12.2	-4.2
Georgia	2.1	8.2	13.5	6.9
Hawaii	37.3	49.4	71.8	-19.5
Illinois	19.3	8.1	46.6	41.7
Indiana	-18.5	1.8	41.3	5.6
Iowa	76.9	3.2	-0.0	-6.2
Kansas	-2.3	10.8	186.7	162
Kentucky	-0.6	-4.2	8.0	10.3
Louisiana	18.8	8.1	34.5	7.0
Maine	0.0	18.4	6.8	-11.7
Maryland	11.2	1.6	36.5	5.5
Massachusetts	-30.5	-7.7	17	14.9
Michigan	1.6	11.8	23.2	9.9
Minnesota	-1.8	-4.5	-0.3	9.4
Mississippi	56.2	-0.1	-42.2	-7.0
Missouri	2.1	-2.5	-5.5	2.5
Montana	4.7	3.5	7.8	16.2
Nebraska	-5.4	-5.5	6.1	7.9
New Jersey	-9.7	-3.2	7.5	20.2
New York	-12.9	-1.4	4.5	15.9
North Carolina	-8.7	1.8	30.7	1.0
North Dakota	-10.2	-17.2	12.5	11.3
Ohio	-1.6	-12.0	39.5	36.7
Oklahoma	-14.9	3.9	14.5	9.2
Oregon	29.8	9.7	6.6	7.9
Pennsylvania	-4.9	1.3	16.4	9.7
Rhode Island	-11.0	8.6	14.5	-1.6
South Carolina	7.3	3.9	-65.3	1.8
Vermont	-6.4	-3.1	12.7	14.8
Virginia	-26.5	1.2	28.3	16.3
West Virginia	-16.0	4.2	9.7	4.3
Wisconsin	-2.9	-1.3	4.8	12.5

Source: Individual state data, analysis by the author.

Notes: Nine states—Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming—have no broad-based individual income tax and are not shown in this table.

TABLE A5

State Individual Income Tax Final Payments

Year-over-year nominal percentage change

	State FY2017				State FY2018			
	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
Median	**-1.6**	**-3.5**	**-2.2**	**-4.0**	**-2.9**	**7.1**	**11.3**	**5.2**
Average	**-1.1**	**-0.3**	**-0.8**	**-5.2**	**1.6**	**15.4**	**15.3**	**8.4**
Alabama	16.2	5.3	0.6	0.0	-4.9	6.4	13.3	2.9
Arizona	-7.7	-3.5	1.3	-3.2	2.8	-4.2	8.3	4.9
Arkansas	-8.7	-14.2	-14.8	-14.8	-13.2	-7.1	11.3	-1.8
California	5.3	10.8	-1.8	-10.1	-1.9	-0.6	11.2	11
Colorado	-12.5	-3.3	-13.3	4.7	9.3	12.7	46.2	9.9
Connecticut	-12.3	17.4	11.7	-12.1	-1.3	54.5	15.2	9.7
Delaware	3.4	-4.7	-3.2	-3.5	7.5	5.1	7.7	8.1
Georgia	-22.2	13.4	-6.7	0.1	25.1	-3.3	11.8	-0.2
Hawaii	12.7	4.3	13.8	-11	-7.4	6.5	14.6	21.1
Idaho	15.9	23	14.2	0.8	8.4	10.1	52.1	-4.2
Illinois	-26.8	-42.9	-5.8	-1.8	-13.3	13.1	29.8	5.3
Indiana	-35.1	-18.4	-4.9	-1.4	40.1	-13.6	0.2	3.4
Iowa	-0.3	-17.6	25.3	-4.3	-15.9	-7.5	2.1	-8.6
Kansas	-11.2	3.1	91.3	-8.2	30	-13.2	-17.3	99.1
Louisiana	10.5	-9.6	30.7	3.5	-12.7	26.5	-1.3	3.1
Maine	7.6	12.2	4.3	0.4	-5.1	2.7	-5.9	0.9
Maryland	16.3	-5.2	-11.5	2.7	1.2	8.3	12.3	1.6
Massachusetts	8.8	-15.3	-13	-4.8	0.6	31.4	33.1	8.2
Michigan	-11.8	-5.4	-7.3	-3.3	-7.8	-4.1	16.3	9.9
Minnesota	2.8	12.5	-2.7	-9.5	1.8	7.7	17.3	4.1
Missouri	7.9	-8.3	3.4	-9.7	-3.9	4.9	1.8	4.3
Montana	-2.8	1.4	-19.0	-9.1	-0.9	11.8	-2.2	10.9
Nebraska	-3.0	1.6	-3.5	-16.6	-13.8	16.9	-2.3	5.5
New Jersey	-5.0	-3.3	2.8	2	48.8	97.7	32.0	2.7
New Mexico	-8.2	-2.2	-4.1	4.9	9.6	41.7	4.1	1.7
New York	-11.9	-5.5	-9.1	-7.6	-10.8	-2.0	25.2	4.2
North Carolina	3.9	-16.9	12.7	-11.1	-4.7	29.6	8.3	0.9
North Dakota	-8.3	-33.7	-17.1	-7.1	0.0	-14.9	4.7	15.6
Ohio	-15.8	-24.2	8.5	0.6	-27.4	-6.7	0.0	20.5
Oklahoma	2.8	-29.7	4.8	-2.5	-9.0	-3.5	5.7	11.1
Pennsylvania	-21.8	-11.4	0.2	-0.2	0.0	17.8	14.6	-1.0
Rhode Island	16.7	30.4	37.5	-7.3	-7.8	-5.5	50.1	14.7
South Carolina	49.5	21.8	-19.6	-4.4	31.1	30.4	15.7	18.4
Utah	3.3	14.5	-4.9	6.1	16.1	72.3	9.6	-7.1
Vermont	21.0	-6.4	-13.5	-3.7	13	10.6	15.3	31.5
Virginia	-18.7	NM	-36.1	-6.9	-19.8	NM	110.2	6.6
West Virginia	-4.0	-28.0	14.9	-12.0	-9.2	16.5	-6.4	0.5
Wisconsin	15.1	14.2	3.2	-8.7	-4.5	7.1	-16.1	6.9

Source: Individual state data, analysis by the author.

Notes: Nine states—Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming—have no broad-based individual income tax and are not shown in this table.

NM = not meaningful.

TABLE A6

Quarterly State Government Tax Revenue for Nonmajor Tax Revenue Sources

	Property tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle and operators' license taxes	Other taxes	Total other taxes
2018 Q1 collections ($ millions)	**$4,339**	**$4,133**	**$1,639**	**$7,861**	**$34,769**	**$52,741**
2008 Q1–2018 Q1 average growth	**1.4**	**0.7**	**1.1**	**1.2**	**1.4**	**1.2**
2008 Q1	0.6	3.9	0.5	0.0	3.0	2.3
2017 Q4	-1.0	6.3	2.4	-0.4	2.6	2.2
2017 Q3	-1.3	3.7	2.9	3.5	1.4	1.8
2017 Q2	0.4	1.9	2.2	1.4	0.7	0.9
2017 Q1	2.9	1.2	1.0	2.3	-1.0	0.1
2016 Q4	2.3	1.3	0.4	2.6	-1.0	0.0
2016 Q3	4.8	1.1	0.7	1.0	-2.1	-0.7
2016 Q2	4.1	0.6	1.6	2.5	-1.7	-0.3
2016 Q1	4.9	1.7	2.6	2.2	-1.5	-0.1
2015 Q4	8.6	0.0	1.5	2.7	-1.4	0.2
2015 Q3	6.1	-0.9	1.2	1.5	-0.5	0.3
2015 Q2	5.1	-2.2	1.5	1.1	-0.3	0.2
2015 Q1	4.2	-4.0	-0.3	1.1	0.5	0.4
2014 Q4	0.7	-4.7	1.4	-0.7	-1.2	-1.3
2014 Q3	3.1	-3.7	1.3	0.6	-1.1	-0.7
2014 Q2	5.2	0.5	-0.1	1.1	-0.4	0.3
2014 Q1	5.1	1.8	1.3	0.9	0.0	0.7
2013 Q4	4.8	3.7	-0.7	0.3	3.6	3.1
2013 Q3	3.2	3.6	-2.4	-0.5	4.0	3.0
2013 Q2	-0.3	-1.0	-1.9	-0.9	3.8	2.1
2013 Q1	-3.2	-1.6	-0.1	0.2	4.1	2.3
2012 Q4	-4.8	-2.6	2.2	2.0	2.4	1.3
2012 Q3	-9.2	-3.4	3.4	3.1	3.8	1.9
2012 Q2	-10.6	-2.3	3.0	3.1	5.1	2.6
2012 Q1	-10.8	-2.5	0.6	2.1	8.5	4.3
2011 Q4	-11.0	-1.9	-0.5	1.8	13.1	7.0
2011 Q3	-7.5	-0.9	0.5	0.4	13.6	7.4
2011 Q2	-3.8	0.8	1.6	1.6	14.0	8.4
2011 Q1	2.5	2.8	3.2	3.4	11.6	8.2
2010 Q4	8.2	3.2	3.3	4.1	9.2	7.4
2010 Q3	13.4	2.3	3.1	5.7	5.8	5.9
2010 Q2	13.4	0.6	2.1	3.8	-2.2	0.5
2010 Q1	9.9	-1.2	0.7	1.5	-10.4	-5.6
2009 Q4	6.1	-1.5	0.6	0.2	-15.4	-9.5
2009 Q3	-0.5	0.4	0.1	-1.1	-15.5	-10.1
2009 Q2	-2.0	1.4	0.0	-0.9	-8.5	-5.5
2009 Q1	-3.6	2.7	0.5	-0.3	-1.4	-0.9
2008 Q4	-2.8	3.2	0.5	-1.1	2.3	1.4
2008 Q3	1.8	3.5	-0.1	-0.5	5.3	3.8
2008 Q2	3.4	5.9	0.5	-0.4	3.3	3.0
2008 Q1	4.0	6.2	0.6	-1.0	2.9	2.7

Source: US Census Bureau (tax revenue).

TABLE A7

Fiscal Year-to-Date State Government Tax Revenue, by State

Nominal percentage change, FYTD2018 versus FYTD2017

	IIT	CIT	Sales	MFT	Total tax
US (median)	**8.3**	**5.7**	**3.7**	**2.0**	**5.1**
US (average)	**11.6**	**5.5**	**4.0**	**5.7**	**7.1**
New England	***15.7***	***-4.3***	***3.1***	***2.5***	***7.8***
Connecticut	29.1	-5.7	0.4	1.5	13.2
Maine	5.4	-0.5	5.4	-0.3	3.8
Massachusetts	11.5	-8.1	3.7	0.3	6.7
New Hampshire	18.7	15.0	N/A	23.1	4.7
Rhode Island	8.3	-16.1	5.1	2.5	5.2
Vermont	6.8	-14.6	5.6	1.8	2.3
Mid-Atlantic	***12.8***	***-2.9***	***3.9***	***3.6***	***7.6***
Delaware	7.3	-3.4	N/A	3.4	5.1
Maryland	5.2	9.7	1.4	-2.5	3.7
New Jersey	11.7	-9.9	1.5	-6.5	6.1
New York	16.0	-7.4	5.7	-3.5	10.5
Pennsylvania	6.8	7.1	4.2	11.0	4.8
Great Lakes	***14.0***	***4.6***	***-0.6***	***17.0***	***5.9***
Illinois	34.6	23.4	-1.0	1.3	13.9
Indiana	8.7	-45.7	2.7	66.6	5.8
Michigan	3.3	15.5	-1.0	44.1	3.5
Ohio	8.7	-11.0	-3.8	-0.7	0.3
Wisconsin	1.3	-17.3	4.6	-0.3	1.5
Plains	***9.9***	***14.3***	***3.0***	***1.1***	***6.5***
Iowa	6.0	8.6	2.7	-2.6	3.4
Kansas	38.5	8.0	3.0	-0.4	13.7
Minnesota	9.6	11.7	3.4	2.4	5.8
Missouri	3.9	20.8	2.1	-0.9	3.3
Nebraska	5.9	22	4.4	8.1	6.3
North Dakota	13.4	147.4	1.6	4.3	15.4
South Dakota	N/A	-1.2	3.8	1.4	3.9
Southeast	***6.2***	***-2.1***	***3.9***	***4.0***	***3.7***
Alabama	5	8.9	2.9	5.4	3.0
Arkansas	4.6	9.3	2.6	0.5	2.4
Florida	N/A	-9.4	5.1	3.7	4.0
Georgia	8.3	4.9	3.0	2.5	4.7
Kentucky	5.2	1.7	3.5	0.5	3.4
Louisiana	5.7	49.6	2.5	-1.1	3.4
Mississippi	5.6	2.3	1.2	-3.5	1.3
North Carolina	4.7	-5.9	3.5	2.4	3.4
South Carolina	6.5	5.7	5.5	12.6	4.9
Tennessee	NM	-9.7	4.3	17.7	1.4
Virginia	6.4	5.8	2.8	2.1	4.6
West Virginia	5.4	8.9	1.7	5.1	7.2
Southwest	***10.5***	***-5.8***	***9.5***	***-0.5***	***9.1***
Arizona	10.4	-5.7	6.3	-15.1	6.3
New Mexico	11.7	1.9	16.5	2.3	13
Oklahoma	10	-18.5	16.5	2.5	12.7
Texas	N/A	N/A	9.1	2.6	8.9
Rocky Mountain	***13.1***	***36.3***	***9.2***	***3.4***	***10.6***
Colorado	12.8	45.5	7.7	-1.8	11.4
Idaho	16.7	5.9	8.9	0.4	9.0
Montana	10.4	58.7	N/A	29.0	5.8

Utah	13.0	35.0	8.9	2.8	10.8
Wyoming	N/A	N/A	18.7	0.3	15.0
Far West	***12.2***	***21.2***	***4.1***	***9.0***	***9.4***
Alaska	N/A	NM	N/A	-7.2	-1.7
California	12.8	20.9	2.3	10.1	10.8
Hawaii	3.2	128.3	9.8	1.8	7.4
Nevada	N/A	N/A	8.3	4.5	5.0
Oregon	9.3	3.4	N/A	1.9	6.6
Washington	N/A	N/A	6.1	10.1	5.1

Source: US Census Bureau (tax revenue), with adjustments by the author.

Notes: CIT = corporate income tax; IIT = individual income tax; MFT = motor fuel tax; FYTD = fiscal year to date; N/A = not applicable; NM = not meaningful.

TABLE A8

Preliminary Quarterly State Government Tax Revenue, by State

Nominal percentage change, 2018 Q2 versus 2017 Q2

	IIT	CIT	Sales	Total tax
US (median)	**6.8**	**12.3**	**4.3**	**6.7**
US (average)	**10.8**	**17.9**	**5.1**	**9.1**
New England	***9.7***	***31.6***	***6.6***	***11.4***
Connecticut	12.3	4.7	8.7	15.9
Maine	2.9	14.4	8.9	3.3
Massachusetts	8.6	59	4.3	11.3
New Hampshire	7.8	34.9	N/A	13.7
Rhode Island	6.8	-44.4	5.4	-0.1
Vermont	17.3	19.1	5.8	5.0
Mid-Atlantic	***7.7***	***6.7***	***4.2***	***4.3***
Delaware	6.0	10.6	N/A	0.7
Maryland	5.8	-2.0	4.1	5.1
New Jersey	4.9	12.3	2.4	0.0
New York	10.5	6.4	6.9	7.6
Pennsylvania	4.5	5.5	3.3	3.2
Great Lakes	***20.5***	***16.0***	***2.8***	***12.1***
Illinois	43.6	38.3	3.4	29.4
Indiana	7.2	-17.7	4.5	6.7
Michigan	4.7	9.9	6.5	5.1
Ohio	15.3	NM	-2.7	5.2
Wisconsin	13.9	28.5	3.7	9.8
Plains	***10.8***	***11.6***	***1.2***	***5.3***
Iowa	14.4	5.6	3.9	7.8
Kansas	66.6	33.5	2.9	9.3
Minnesota	4.6	11.2	-2.9	1.6
Missouri	2.8	-4.1	2.5	2.7
Nebraska	6.0	14.6	0.6	7.9
North Dakota	24.9	32.7	12.2	48.8
South Dakota	N/A	N/A	2.1	2.3
Southeast	***5.8***	***8.8***	***4.0***	***4.9***
Alabama	15.1	13.7	4.6	10
Arkansas	1.1	-14.1	6.1	0.5
Florida	N/A	18.1	4.5	6.2
Georgia	0.1	1.5	3.6	1.8
Kentucky	3.7	-0.4	3.4	2.7
Louisiana	17.5	36.8	-1.9	8.9
Mississippi	-2.6	14.7	1.9	2.1
North Carolina	4.1	1.4	7.6	4.5
South Carolina	6.7	19.4	4.0	6.8
Tennessee	-27.8	-2.1	3.3	3.4
Virginia	12.3	2.2	3.1	7.7
West Virginia	5.7	-18.4	4.1	-2.7
Southwest	***11.3***	***41.2***	***10.3***	***13.8***
Arizona	9.0	9.2	5.9	10.4
New Mexico	17.4	375.5	7.3	16.1
Oklahoma	11.2	59.8	15.6	21.9
Texas	N/A	N/A	10.6	13.3
Rocky Mountain	***5.4***	***36.2***	***9.5***	***9.6***
Colorado	5.5	50.9	8.3	9.7
Idaho	-0.8	18.3	7.6	4.7
Montana	12.2	0.2	N/A	6.6

Utah	6.5	36.9	12.4	13.5
Wyoming	N/A	N/A	11.8	ND
Far West	***12.7***	***27.8***	***4.7***	***13.4***
Alaska	N/A	68.4	N/A	55.7
California	13.5	26.2	4.1	13.2
Hawaii	40.5	-30.5	-9.9	10.6
Nevada	N/A	N/A	5.2	5.7
Oregon	-1.9	63.2	N/A	4.1
Washington	N/A	N/A	12.1	20.3

Source: Individual state data, analysis by the author.

Notes: CIT = corporate income tax; IIT = individual income tax; N/A = not applicable; ND = no data.

Notes

[1] The author made several adjustments for the January–March 2018 quarter, as well as several prior quarter tax revenue data reported by the US Census Bureau, based on the information and data received directly by the states and by the Census Bureau.

[2] See *South Dakota v. Wayfair*, Brief of *Amici Curiae* Law Professors and Economists in Support of Petitioner, No. 17-494, March 5, 2018, https://www.supremecourt.gov/DocketPDF/17/17-494/37603/20180305141434827_Brief%20of%20Amici%20Curiae%20Law%20Professors%20and%20Economists%20iso%20Petitioner.PDF.

[3] For more information, see Bureau of Labor Statistics, "How the Government Measures Unemployment," last modified October 8, 2015, https://www.bls.gov/cps/cps_htgm.htm#unemployed.

[4] For more discussion of the relationship between property tax and housing prices, see Dadayan (2012).

[5] See Federal Reserve Bank of St. Louis, "30-Year Fixed Rate Mortgage Average in the United States," https://fred.stlouisfed.org/series/MORTGAGE30US.

[6] Urban Institute analysis of data from NASBO (2017), table A-1.

[7] See *Fiscal Note, House Bill No. 542* (House Committee on Appropriations, October 2017), http://www.legis.state.pa.us/WU01/LI/BI/FN/2017/0/HB0542P2598.pdf.

[8] See *Legislative Enrolled Bill Analysis for Senate Bill No. 1* (California State Board of Equalization), https://www.boe.ca.gov/legdiv/pdf/0001sbENROLLED17jcRev.pdf.

[9] See House Bill 1002 (Indiana General Assembly, 2017 Session), http://iga.in.gov/legislative/2017/bills/house/1002#digest-heading.

[10] See *Funding Education* (Washington State Department of Revenue), https://dor.wa.gov/get-form-or-publication/publications-subject/tax-topics/funding-education.

[11] See *House Bill 2391*, (79th Oregon Legislative Assembly), https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureDocument/HB2391/Enrolled.

[12] For more information, see Auxier and Rueben (2018) and Howard Gleckman, "Don't look now, but states already are requiring online sellers to collect sales taxes," *Tax Vox* (blog), Urban-Brookings Tax Policy Center, September 4, 2018, https://www.taxpolicycenter.org/taxvox/dont-look-now-states-already-are-requiring-online-sellers-collect-sales-taxes.

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Lucy Dadayan is a senior research associate with the Urban-Brookings Tax Policy Center at the Urban Institute.

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