

# CAPITOL RESEARCH

● ● ● FISCAL

## Trends in State Tax Collections: Sales Taxes

State tax revenues fell during the Great Recession, but have been making a slow recovery. Sales taxes also have partially recovered, returning to their prerecession levels in nominal terms in 2011. When adjusted for inflation, however, income taxes remain below their pre-recession levels.<sup>1</sup>

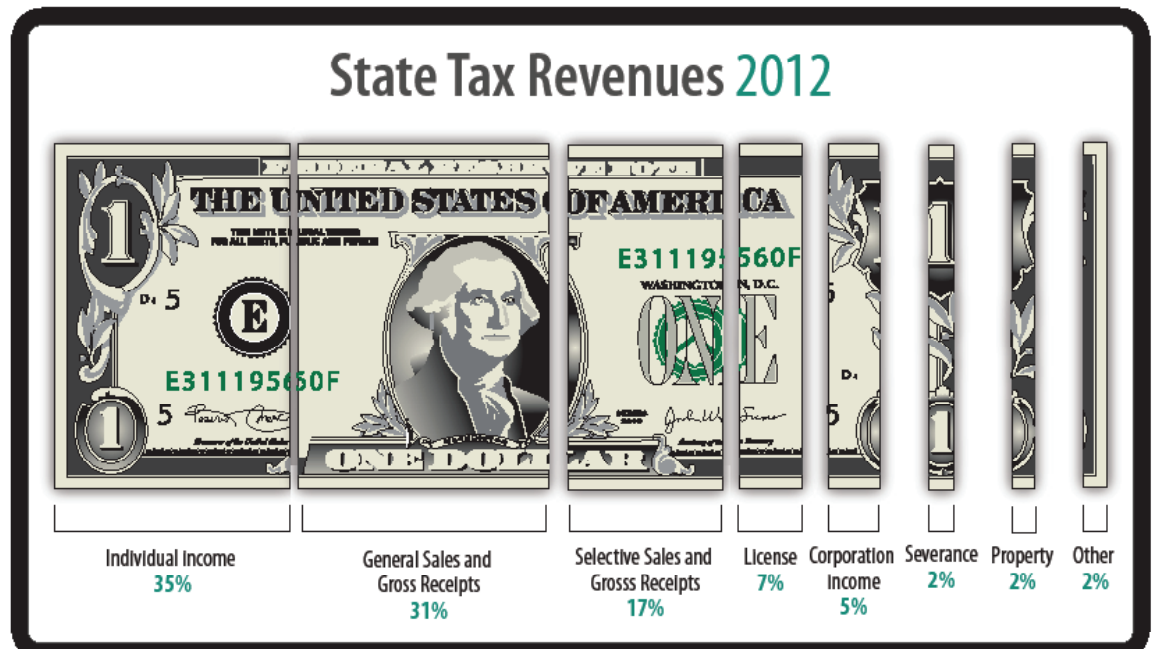
Taxes are the largest single source of general revenues for states. In the 2011 fiscal year, taxes made up 45.9 percent of general state revenues, totaling \$757.9 billion, or \$2,432 per capita. In 2012, tax revenues increased 4.8 percent over 2011 in nominal terms or 2.8 percent when adjusted for inflation. The largest component of tax revenues is sales and gross receipt taxes at 47.2 percent, with income taxes coming in second at 40.5 percent. Other significant sources of state taxes include licenses at 6.8 percent of tax revenue; severance at 1.9 percent; and property at 1.9 percent.

In 2012, sales and gross receipts tax collections on a per capita basis equaled \$1,194. Within this category,

general sales and gross receipt taxes take up the biggest chunk—30.5 percent of all taxes—followed by selective sales taxes at 16.6 percent. Selective sales taxes include taxes on motor fuels—5 percent of total taxes; tobacco products—2.2 percent; insurance premiums—2.1 percent; public utilities—1.8 percent; and alcohol—0.8 percent.

After taking a hit during the recession, sales taxes have recovered partially, returning to prerecession levels in nominal terms by 2011. From 2011 to 2012, sales tax collections increased by 2.3 percent nationally. Seven states over this period saw a decrease in sales tax revenue, while the remaining 43 states saw increases ranging from a low of 0.05 percent in Virginia and 0.41 percent in Florida to a high of 36.4 percent in North Dakota and 30 percent in Arizona.

In 2009, the amount of sales taxes collected across all states fell by 4.5 percent compared to the year before. In 2010, states collected 0.2 percent more than in 2009, far below the average year-over-year increase from 2003 to 2007 of 6.1 percent. When adjusted for inflation, however, sales taxes remain below their



<sup>1</sup> All data used through out report are author's calculations of data from the U.S. Census Bureau's Annual Survey of State Tax Collections, <http://www.census.gov/govs/statetax/>

prerecession levels. In 2012 dollars, states hit a high for sales taxes collected in 2007 at more than \$391.5 billion—4.7 percent more than the amount collected in 2012.

From 2003 to 2007, sales taxes as a percentage of total tax revenue began to fall, starting at 49.9 percent in 2003 and ending at 46 percent in 2007. During and following the recession, that trend reversed and sales taxes as a percent of tax revenue grew—increasing 2.8 percentage points from 2008 to 2010. In 2011 and 2012, however, sales taxes started to fall again as a percent of taxes, dropping by 0.5 percentage points in 2011 and 1.2 percentage points in 2012, landing at a percentage closer to prerecession levels in 2012.

Sales taxes and income taxes in 2009 and 2010 were actually mirror opposites when it came to their changing contributions to total tax revenue. For example, income taxes as a percentage of total tax revenue fell in 2009 and 2010 collectively by 3.13 percentage points, while sales taxes increased by 2.8 percentage points over the same period. In 2003, sales taxes represented 50 percent of total tax revenue and income taxes represented 38.3 percent—an 11.6 percentage point gap. That gap narrowed significantly during the recession, reaching a low of 4 percentage points in 2008. Since then, the gap has increased again, hitting 6.63 percentage points in 2012.

Five states—Alaska, Delaware, Montana, New Hampshire and Oregon—did not levy a statewide general sales and gross receipts tax in 2012,

and therefore, rely more heavily on other types of taxes for revenue. Some of the 45 states that levy a statewide sales tax tracked the national trend of an increasing reliance on sales taxes for revenue. Five states—Indiana, Massachusetts, Michigan, Minnesota and Oklahoma—saw their sales taxes as a percentage of tax revenue increase by 5 percentage points or more from 2008 to 2010. Michigan increased the most, jumping 8.4 percentage points.

Some of these shifts may be due to changes in state sales tax rates over this period. For example, in 2009 Massachusetts raised its sales tax by 1.25 percent, from 5 percent to 6.25 percent. Minnesota also raised its sales tax rate in 2009, from 6.5 percent to 6.875 percent.

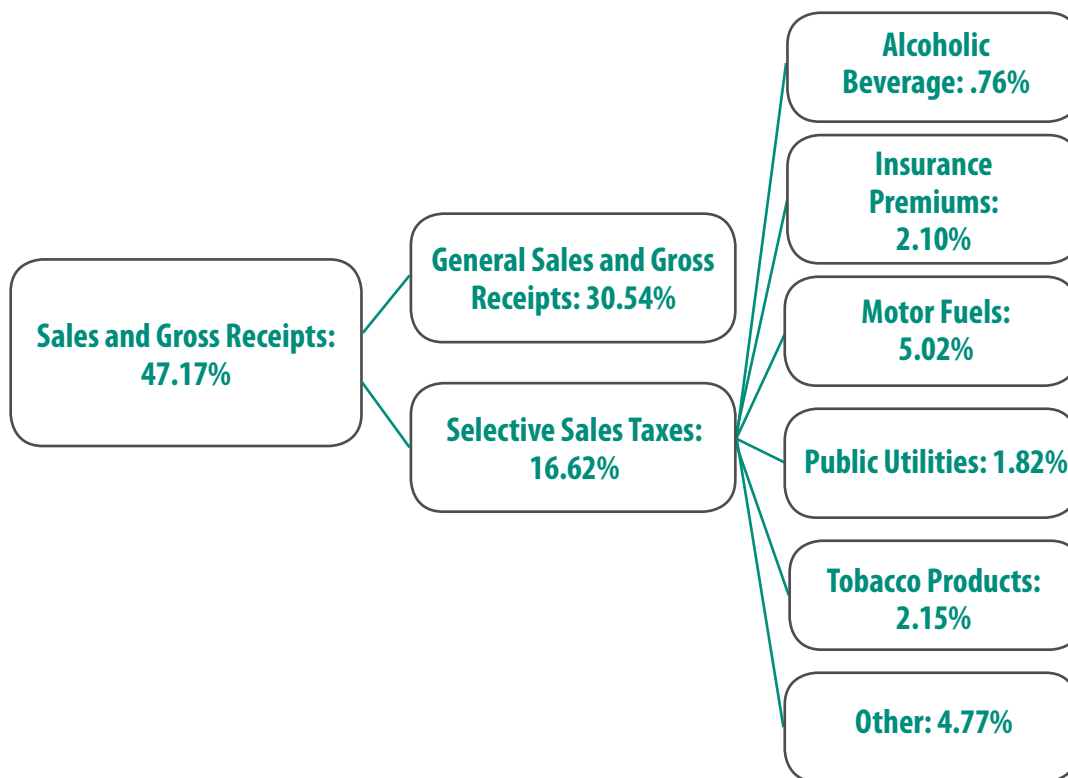
Reliance on the sales tax in those 45 states that levy a sales tax varies significantly.

Five states—Florida, Nevada, South Dakota, Texas and Washington—get more than 75 percent of their tax revenue from sales, with Florida topping the list at 82.6 percent. North Dakota relies the least on sales taxes, which represent 28.4 percent of tax revenue in that state, followed by New York at 32 percent and Massachusetts at 32.1 percent.

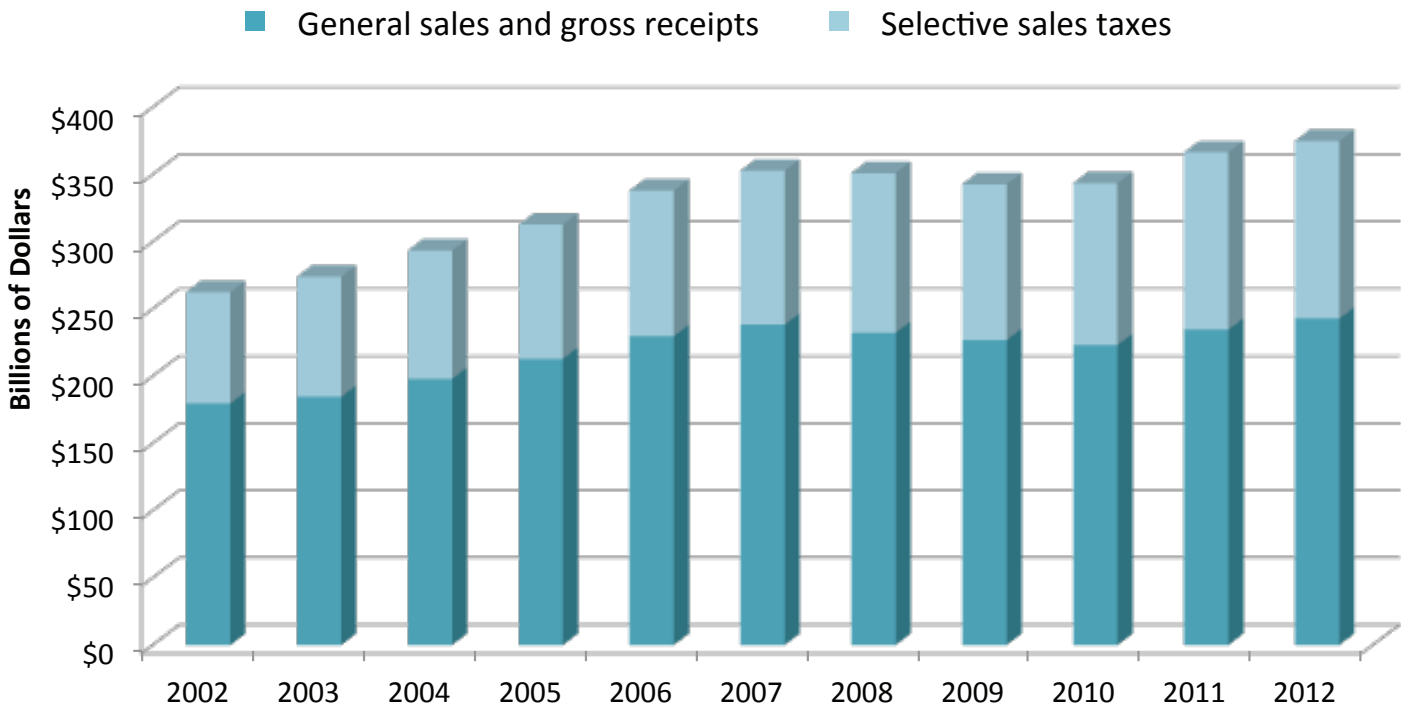


Jennifer Burnett, CSG Program Manager, Fiscal and Economic Policy  
jburnett@csq.org

## State Sales Taxes as a Percentage of Total Tax Revenue, 2012



## Sales Tax Revenue, 2002-2012



## Sales and Income Taxes as a Percentage of Total Tax Revenue



# Income Tax Trends, 2011-12

	Sales Tax Revenue (in thousands)			Sales Tax Revenue as a Percentage of Total Sales Tax Revenue			Per Capita Sales Tax Revenue		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Point Change 2011-2012	2011	2012	Dollar Change 2011-2012
United States	\$366,288,939	\$374,763,421	2.3%	48.3%	47.2%	-1.2%	\$1,175.56	\$1,193.84	\$18.28
Alabama	\$4,575,127	\$4,626,357	1.1%	53.0%	51.1%	-1.9%	\$952.42	\$959.42	\$7.00
Alaska	\$256,014	\$248,432	-3.0%	4.6%	3.5%	-1.1%	\$353.68	\$339.64	-\$14.04
Arizona	\$6,206,369	\$8,066,124	30.0%	57.2%	62.2%	5.0%	\$959.65	\$1,230.86	\$271.21
Arkansas	\$3,876,982	\$3,982,832	2.7%	48.6%	48.1%	-0.6%	\$1,319.34	\$1,350.51	\$31.17
California	\$45,147,657	\$38,623,797	-14.5%	38.7%	34.4%	-4.3%	\$1,198.06	\$1,015.31	-\$182.75
Colorado	\$3,797,370	\$4,090,645	7.7%	40.1%	39.9%	-0.2%	\$742.21	\$788.55	\$46.34
Connecticut	\$5,522,780	\$6,677,074	20.9%	41.1%	43.3%	2.2%	\$1,539.79	\$1,859.73	\$319.94
Delaware	\$493,195	\$491,044	-0.4%	16.3%	14.6%	-1.7%	\$543.08	\$535.44	-\$7.65
Florida	\$27,156,056	\$27,267,196	0.4%	83.4%	82.6%	-0.8%	\$1,423.10	\$1,411.52	-\$11.58
Georgia	\$7,108,662	\$7,253,554	2.0%	44.4%	43.8%	-0.7%	\$724.45	\$731.21	\$6.76
Hawaii	\$3,335,562	\$3,581,652	7.4%	68.7%	64.9%	-3.7%	\$2,420.36	\$2,572.45	\$152.09
Idaho	\$1,612,725	\$1,664,615	3.2%	49.4%	49.3%	-0.1%	\$1,018.30	\$1,043.17	\$24.87
Illinois	\$13,613,627	\$14,295,688	5.0%	46.3%	39.2%	-7.0%	\$1,058.62	\$1,110.32	\$51.70
Indiana	\$8,831,812	\$9,172,715	3.9%	59.2%	58.4%	-0.8%	\$1,355.33	\$1,403.13	\$47.80
Iowa	\$3,326,415	\$3,532,811	6.2%	46.0%	45.1%	-0.9%	\$1,085.61	\$1,149.19	\$63.58
Kansas	\$3,332,967	\$3,685,595	10.6%	48.8%	49.7%	0.9%	\$1,161.16	\$1,277.10	\$115.95
Kentucky	\$4,894,347	\$5,034,577	2.9%	48.0%	48.1%	0.1%	\$1,120.81	\$1,149.34	\$28.53
Louisiana	\$5,131,210	\$4,888,854	-4.7%	57.9%	54.4%	-3.5%	\$1,121.63	\$1,062.36	-\$59.28
Maine	\$1,682,645	\$1,748,815	3.9%	45.8%	46.3%	0.5%	\$1,266.53	\$1,315.70	\$49.16
Maryland	\$6,654,014	\$7,173,515	7.8%	41.6%	42.0%	0.5%	\$1,139.47	\$1,219.04	\$79.57
Massachusetts	\$7,108,696	\$7,319,030	3.0%	32.2%	32.1%	-0.1%	\$1,075.93	\$1,101.24	\$25.31
Michigan	\$12,919,631	\$13,118,854	1.5%	54.9%	54.7%	-0.2%	\$1,308.08	\$1,327.37	\$19.29
Minnesota	\$8,235,683	\$9,139,154	11.0%	43.5%	44.4%	1.0%	\$1,540.16	\$1,699.00	\$158.84
Mississippi	\$4,319,685	\$4,396,669	1.8%	64.3%	63.2%	-1.1%	\$1,450.80	\$1,472.96	\$22.16
Missouri	\$4,627,192	\$4,764,007	3.0%	45.8%	44.1%	-1.7%	\$770.05	\$791.10	\$21.06
Montana	\$533,372	\$544,733	2.1%	23.2%	22.1%	-1.0%	\$534.62	\$541.95	\$7.33
Nebraska	\$2,032,793	\$2,085,484	2.6%	48.9%	47.9%	-1.1%	\$1,103.44	\$1,123.93	\$20.49
Nevada	\$4,689,166	\$5,231,962	11.6%	74.1%	77.2%	3.2%	\$1,723.94	\$1,896.37	\$172.43
New Hampshire	\$904,162	\$875,037	-3.2%	39.0%	39.7%	0.7%	\$686.11	\$662.55	-\$23.56
New Jersey	\$11,921,825	\$12,009,552	0.7%	43.9%	43.7%	-0.1%	\$1,349.42	\$1,354.78	\$5.36
New Mexico	\$2,573,735	\$2,651,121	3.0%	51.7%	52.1%	0.4%	\$1,238.16	\$1,271.19	\$33.03
New York	\$22,367,962	\$22,869,327	2.2%	32.9%	32.0%	-1.0%	\$1,146.98	\$1,168.58	\$21.60
North Carolina	\$9,935,089	\$9,539,299	-4.0%	44.3%	42.0%	-2.3%	\$1,029.43	\$978.18	-\$51.24
North Dakota	\$1,169,185	\$1,594,529	36.4%	30.6%	28.4%	-2.2%	\$1,707.49	\$2,279.11	\$571.62
Ohio	\$12,591,251	\$13,119,734	4.2%	50.0%	50.6%	0.6%	\$1,091.00	\$1,136.48	\$45.47
Oklahoma	\$3,236,135	\$3,724,416	15.1%	41.7%	42.2%	0.5%	\$855.18	\$976.30	\$121.12
Oregon	\$1,097,023	\$1,398,998	27.5%	13.5%	16.1%	2.6%	\$283.60	\$358.78	\$75.18
Pennsylvania	\$16,783,774	\$17,151,633	2.2%	51.9%	52.1%	0.2%	\$1,317.00	\$1,343.80	\$26.80
Rhode Island	\$1,448,042	\$1,474,739	1.8%	52.9%	52.6%	-0.3%	\$1,378.24	\$1,404.12	\$25.88
South Carolina	\$4,065,665	\$4,198,261	3.3%	52.9%	52.2%	-0.6%	\$869.97	\$888.76	\$18.79
South Dakota	\$1,153,497	\$1,197,116	3.8%	83.6%	78.7%	-4.9%	\$1,400.57	\$1,436.50	\$35.94
Tennessee	\$8,604,119	\$8,962,195	4.2%	76.6%	74.8%	-1.8%	\$1,344.44	\$1,388.14	\$43.71
Texas	\$33,798,419	\$37,431,966	10.8%	78.3%	77.0%	-1.2%	\$1,318.61	\$1,436.42	\$117.81
Utah	\$2,543,232	\$2,722,128	7.0%	46.4%	46.9%	0.4%	\$903.67	\$953.36	\$49.70
Vermont	\$904,068	\$968,303	7.1%	33.6%	35.1%	1.5%	\$1,442.83	\$1,546.78	\$103.95
Virginia	\$5,850,549	\$5,853,266	0.0%	33.6%	32.3%	-1.3%	\$721.90	\$715.05	-\$6.85
Washington	\$14,103,704	\$14,171,443	0.5%	81.0%	80.4%	-0.6%	\$2,067.00	\$2,054.72	-\$12.28
West Virginia	\$2,419,463	\$2,629,622	8.7%	47.0%	49.1%	2.1%	\$1,304.36	\$1,417.27	\$112.91
Wisconsin	\$6,809,069	\$6,394,748	-6.1%	44.4%	43.4%	-1.0%	\$1,192.51	\$1,116.71	-\$75.80
Wyoming	\$987,217	\$1,120,203	13.5%	40.1%	43.9%	3.8%	\$1,740.03	\$1,943.41	\$203.38

Source: Author's calculations of data from the U.S. Census Bureau's Annual Survey of State Tax Collections, <http://www.census.gov/govs/statetax/>

\*No statewide sales tax