

CAPITOL RESEARCH

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Trends in State Tax Collections

State revenues from taxes decreased during the Great Recession, but have been making a slow recovery since. In nominal terms, total state tax revenues reached prerecession levels in the 2011 fiscal year after seeing year-over-year losses in 2009 and 2010. When adjusted for inflation, however, total tax revenues remain below prerecession levels.¹

Taxes are the largest single source of general revenues for states. In 2011, 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—47.2 percent—with corporate and personal income tax revenue 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.

Trends in Total Tax Revenue

In nominal terms, total state tax revenues reached prerecession levels in 2011 after seeing year-over-year losses in 2009 and 2010. When adjusted for inflation, however, total tax revenues remain below prerecession levels. In 2012 dollars, states hit a high of total taxes collected in 2007 at more than \$841 million—about 5.5 percent less than taxes collected in 2012.

The primary driver for growth in total tax revenues in 2012 was income taxes, which contributed 62 percent of the increase. Gains in sales tax revenue contributed another chunk to overall gains—23.1 percent—along with severance taxes—11.1 percent. A decrease in year-over-year property tax collections detracted from the total tax increase.

Most states—47—saw an increase in revenue from taxes from 2011 to 2012. The three states that saw a decrease in year-over-year tax revenue were New Hampshire at 4.9 percent, Wisconsin at 3.9 percent and California at 3.7 percent. Several states saw significant gains in sales tax revenue from 2011 to



¹ 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/>

2012, including North Dakota, which saw the largest increase of any state at 47 percent. Alaska had the second largest increase with a jump of 27.3 percent, followed by Illinois with an increase of 23.8 percent. Nearly 73 percent of North Dakota's gains came from a big uptick in severance taxes, which grew by 69.2 percent from 2011 to 2012. The same is true in Alaska, where an increase in severance taxes accounted for 100 percent of the gains in that state.

Sales Taxes

Sales and gross receipts taxes were the largest category of taxes across all states in 2012, representing 47.2 percent of tax revenues. After taking a hit during the recession, sales taxes have partially recovered, returning to prerecession levels in nominal terms by 2011. From 2003 to 2007, sales taxes as a percentage of total tax revenue fell, 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 revenues 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.

Income Taxes

The second largest component of tax revenue came from income taxes, at 40.5 percent of total tax revenue in 2012. Income taxes come from two sources—individual and corporate—with the majority of revenue coming from individual income taxes. Individual income taxes make up 35.3 percent of all tax revenue, compared to corporate income taxes, which make up 5.3 percent of revenue.

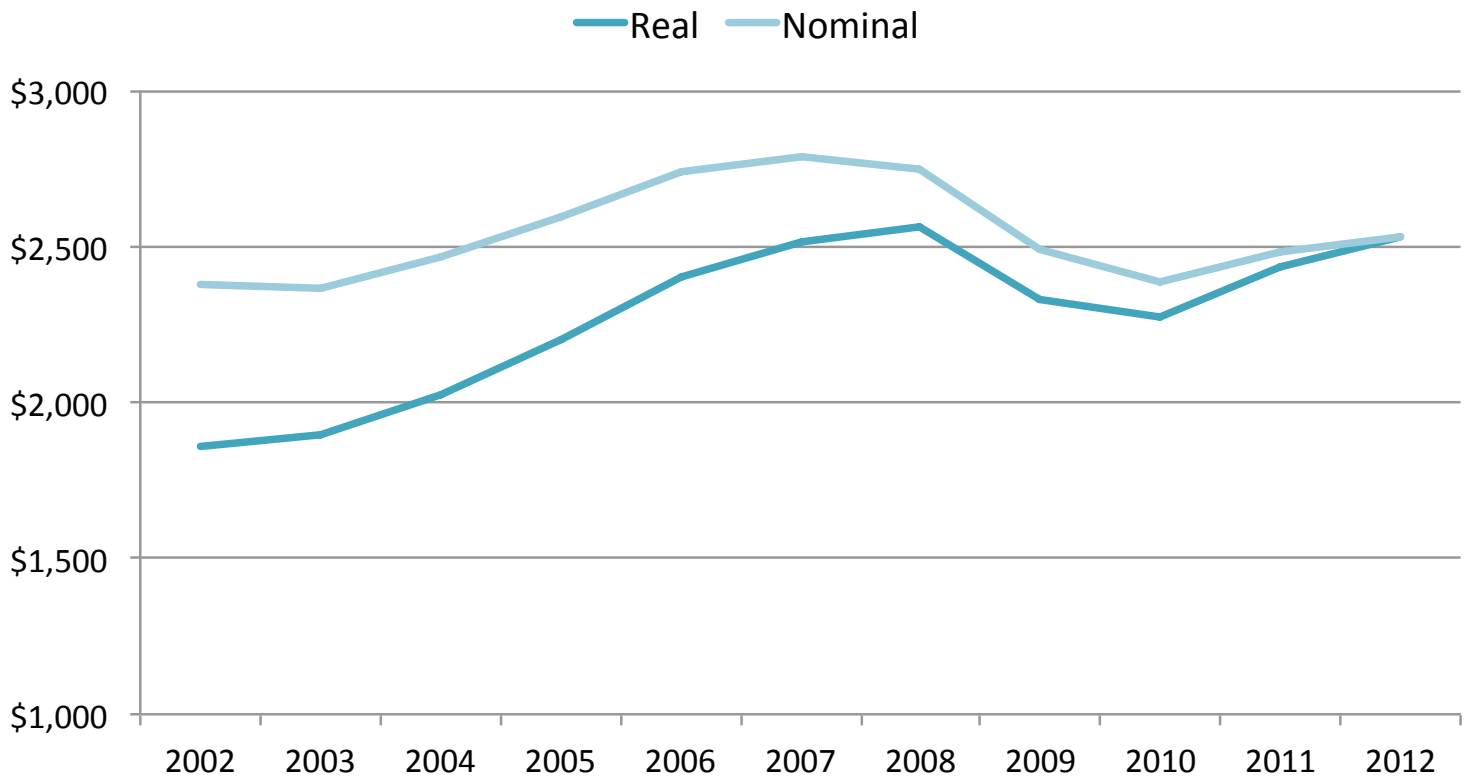
After dropping during the recession, income taxes have partially recovered, returning to their prerecession levels in nominal terms in 2012. From 2011 to 2012, income tax collections increased by 7.6 percent, and from 2010 to 2011, they increased by 9.3 percent. During the recession, income tax collections fell significantly. In 2009, income tax collections dropped 13 percent and in 2010, by 4 percent.

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 from in 2009 and 2010 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.

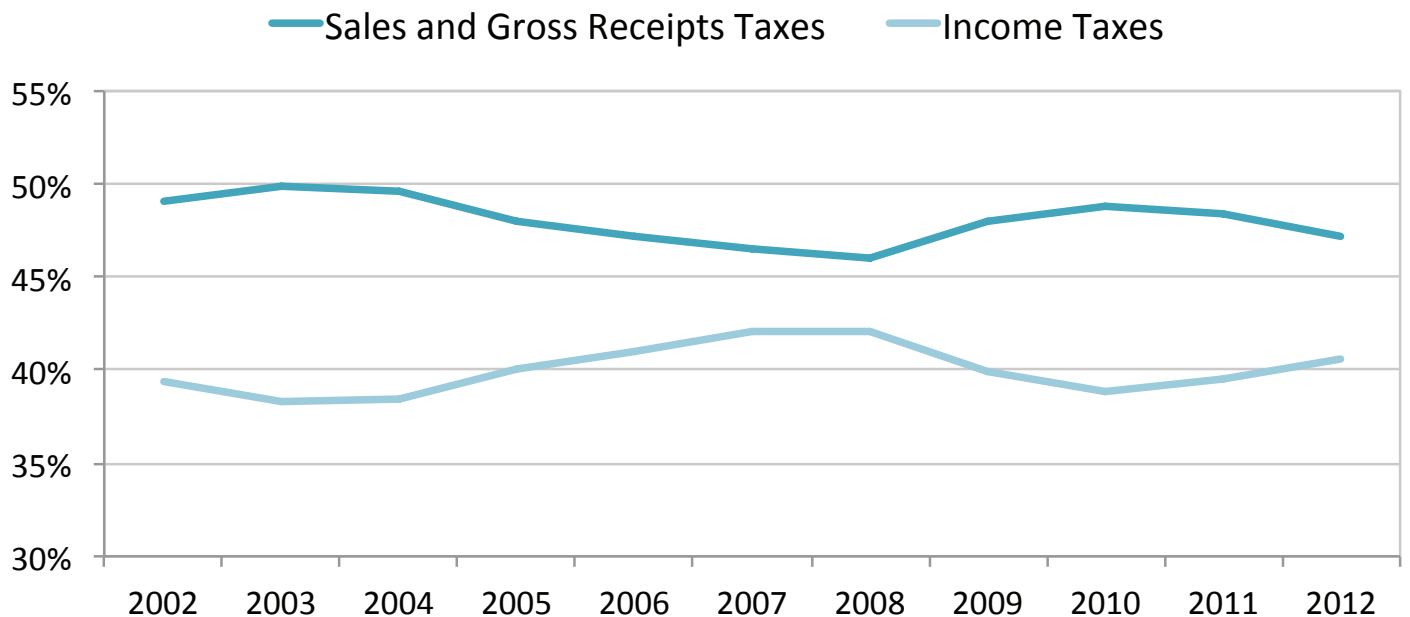


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Total State Tax Revenue Per Capita, 2002-2012



Sales and Income Taxes as a Percentage of Total Tax Revenue



State Tax Revenue Trends

	Total Tax Revenue (in thousands)			Major Tax Categories as a Percentage of Total Tax Revenue, 2012				
	2011	2012	Percent Change 2011-2012	Property	Sales and Gross Receipts	License	Income	Other
United States	\$757,869,188	\$794,570,079	4.8%	1.6%	47.2%	6.8%	40.5%	3.9%
Alabama	\$8,635,527	\$9,052,880	4.8%	3.6%	51.1%	5.7%	37.9%	1.7%
Alaska	\$5,537,679	\$7,049,398	27.3%	3.1%	3.5%	1.9%	9.4%	82.1%
Arizona	\$10,848,179	\$12,973,265	19.6%	5.8%	62.2%	2.9%	28.8%	0.3%
Arkansas	\$7,975,526	\$8,287,744	3.9%	12.2%	48.1%	4.3%	33.9%	1.6%
California	\$116,695,284	\$112,372,263	-3.7%	1.9%	34.4%	7.7%	56.0%	0.0%
Colorado	\$9,467,684	\$10,250,628	8.3%	0.0%	39.9%	6.0%	52.4%	1.7%
Connecticut	\$13,432,252	\$15,419,556	14.8%	0.0%	43.3%	2.9%	51.9%	2.0%
Delaware	\$3,017,837	\$3,360,235	11.3%	0.0%	14.6%	36.6%	46.8%	1.9%
Florida	\$32,557,946	\$32,997,012	1.3%	0.0%	82.6%	6.7%	6.1%	4.6%
Georgia	\$16,003,250	\$16,576,903	3.6%	0.4%	43.8%	3.1%	52.7%	0.1%
Hawaii	\$4,857,729	\$5,516,146	13.6%	0.0%	64.9%	4.7%	29.4%	1.0%
Idaho	\$3,261,722	\$3,374,304	3.5%	0.0%	49.3%	8.9%	41.5%	0.2%
Illinois	\$29,433,475	\$36,437,803	23.8%	0.2%	39.2%	7.1%	52.7%	0.8%
Indiana	\$14,909,416	\$15,704,680	5.3%	0.0%	58.4%	4.0%	36.5%	1.1%
Iowa	\$7,236,476	\$7,832,388	8.2%	0.0%	45.1%	9.6%	44.1%	1.2%
Kansas	\$6,828,477	\$7,418,341	8.6%	1.0%	49.7%	4.3%	43.3%	1.8%
Kentucky	\$10,203,241	\$10,472,861	2.6%	5.1%	48.1%	4.1%	39.0%	3.7%
Louisiana	\$8,865,421	\$8,994,053	1.5%	0.6%	54.4%	4.5%	30.7%	9.9%
Maine	\$3,675,810	\$3,777,130	2.8%	1.0%	46.3%	6.7%	44.3%	1.7%
Maryland	\$16,002,529	\$17,064,468	6.6%	4.4%	42.0%	4.4%	46.9%	2.2%
Massachusetts	\$22,089,530	\$22,805,644	3.2%	0.0%	32.1%	3.9%	61.1%	2.8%
Michigan	\$23,540,253	\$23,968,760	1.8%	7.5%	54.7%	5.9%	31.0%	0.8%
Minnesota	\$18,952,919	\$20,560,540	8.5%	3.9%	44.4%	5.8%	44.0%	1.8%
Mississippi	\$6,714,180	\$6,953,362	3.6%	0.3%	63.2%	7.4%	27.3%	1.7%
Missouri	\$10,109,918	\$10,800,741	6.8%	0.3%	44.1%	5.2%	50.3%	0.1%
Montana	\$2,303,516	\$2,459,324	6.8%	10.5%	22.1%	12.8%	42.0%	12.6%
Nebraska	\$4,153,113	\$4,358,328	4.9%	0.0%	47.9%	4.2%	47.6%	0.4%
Nevada	\$6,332,128	\$6,775,112	7.0%	3.5%	77.2%	8.6%	0.0%	10.7%
New Hampshire	\$2,320,014	\$2,206,329	-4.9%	17.3%	39.7%	12.0%	27.3%	3.8%
New Jersey	\$27,182,753	\$27,456,175	1.0%	0.0%	43.7%	5.2%	47.6%	3.5%
New Mexico	\$4,980,115	\$5,088,335	2.2%	1.2%	52.1%	3.5%	28.1%	15.1%
New York	\$67,945,152	\$71,545,745	5.3%	0.0%	32.0%	2.7%	60.6%	4.8%
North Carolina	\$22,405,841	\$22,713,357	1.4%	0.0%	42.0%	6.5%	51.1%	0.4%
North Dakota	\$3,822,347	\$5,620,036	47.0%	0.0%	28.4%	3.3%	11.5%	56.7%
Ohio	\$25,176,562	\$25,924,024	3.0%	0.0%	50.6%	13.8%	35.3%	0.3%
Oklahoma	\$7,766,332	\$8,826,132	13.6%	0.0%	42.2%	11.6%	36.5%	9.8%
Oregon	\$8,112,049	\$8,699,626	7.2%	0.2%	16.1%	10.4%	71.9%	1.4%
Pennsylvania	\$32,352,286	\$32,949,917	1.8%	0.1%	52.1%	8.0%	36.2%	3.6%
Rhode Island	\$2,737,952	\$2,805,287	2.5%	0.1%	52.6%	3.8%	42.3%	1.3%
South Carolina	\$7,687,496	\$8,036,482	4.5%	0.1%	52.2%	5.6%	41.7%	0.4%
South Dakota	\$1,379,607	\$1,521,477	10.3%	0.0%	78.7%	16.5%	3.9%	0.9%
Tennessee	\$11,235,404	\$11,982,345	6.6%	0.0%	74.8%	10.7%	11.8%	2.8%
Texas	\$43,188,251	\$48,596,548	12.5%	0.0%	77.0%	15.5%	0.0%	7.5%
Utah	\$5,475,904	\$5,809,953	6.1%	0.0%	46.9%	4.4%	46.9%	1.8%
Vermont	\$2,687,926	\$2,757,370	2.6%	34.4%	35.1%	3.7%	25.2%	1.6%
Virginia	\$17,409,072	\$18,137,586	4.2%	0.2%	32.3%	4.3%	61.0%	2.3%
Washington	\$17,411,033	\$17,624,715	1.2%	10.8%	80.4%	5.6%	0.0%	3.2%
West Virginia	\$5,142,771	\$5,355,809	4.1%	0.1%	49.1%	2.6%	36.4%	11.8%
Wisconsin	\$15,347,327	\$14,747,971	-3.9%	1.1%	43.4%	6.7%	48.5%	0.4%
Wyoming	\$2,461,977	\$2,550,991	3.6%	12.4%	43.9%	5.5%	0.0%	38.2%

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/>