

# SPECIAL REPORT

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## State Tax Rates and 1995 Collections

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State tax and fee collections grew by 6.7 percent between 1994 and 1995. The growth in inflation-adjusted tax collections continues a trend that began more than a decade ago. (*Figure 1* charts the growth over the past decade.) *Table 5* reports that the three fastest growing categories of state collections were corporate income taxes (14 percent), property taxes (11.4 percent), and tobacco taxes (11.2

percent). Total 1995 state-by-state collections, along with the distribution by type of tax, are reported in *Table 6*.

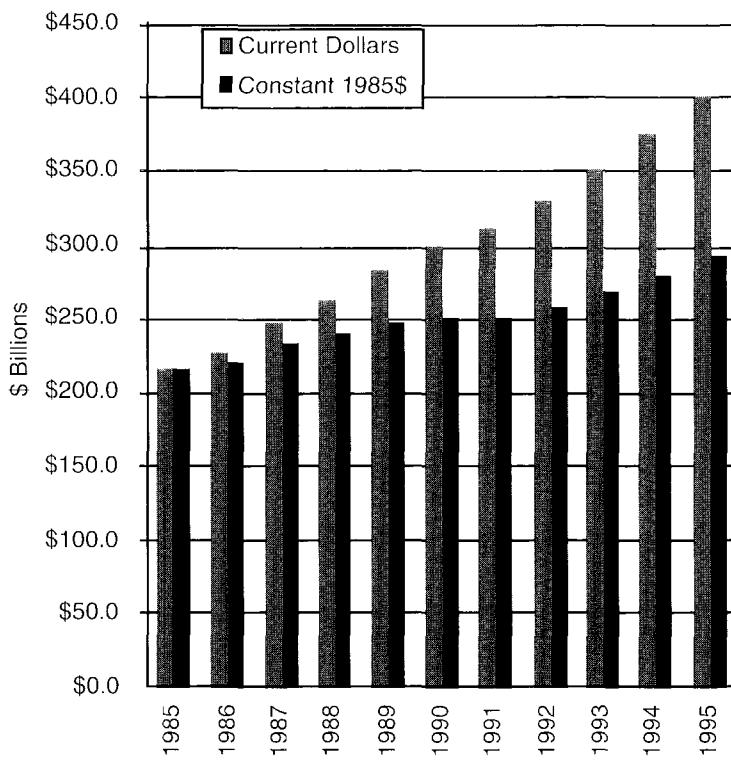
On average, economic growth in 1995 accounted for almost all of the growth in state collections. *Table 7* reports that, for the nation, state collections grew 0.26 percent faster than personal income. That growth rate compares with an inflation-adjusted decade-long average of 0.22 percent.

However, the growth rate of state tax collections relative to personal income growth varies substantially from state to state. From 1994 to 1995, the five states that had the highest tax growth relative to personal income growth were Alaska, Missouri, Michigan, North Dakota, and Connecticut. The five states that had the highest personal income growth relative to tax growth were Wyoming, New Mexico, Vermont, Hawaii, and New Jersey.

The growth of taxes relative to income does not necessarily correlate with the overall tax burden in a state. For example, in 1995, Alaska had the highest tax burden per \$1,000 of personal income and it recorded the fastest tax growth between 1994 and 1995, as *Tables 4* and *7* report. Yet, over the prior 10 years, Alaska had the slowest tax growth. These anomalies arise because Alaska enjoys enormous tax inflow from oil production, making it a unique case. New Mexico ranked third among the states in terms of taxes per \$1,000 of personal income, but it recorded the second slowest tax growth. (If Washington, D.C., were a state, it would have the highest ranking tax burden.)

*Table 4* also shows that various measurements of the tax burden can differ substantially. For example, Mississippi and New Jersey show an almost equally large disparity between their per-capita and per-

**Figure 1**  
Total State Tax Collections, 1985-1995  
(Billions of Dollars, Current and Constant 1985\$)



**Table 1**  
*Individual Income Tax Rates (Effective for 1996)*

Federal Deduct.	Marginal Rates(a) (Percent)	No. of Brackets	Low Bracket (a) (Under)	High Bracket (a) (Over)	Standard Deduction		Personal Exemptions	
					Single	Joint	Single (b)	Dependents
Alabama	Y	2.0-5.0	3	\$500	\$3,000	\$2,000	\$4,000	\$1,500
Alaska	N	None	n.a	n.a	n.a	n.a	n.a	n.a
Arizona	N	3.0-5.6	5	10,000	150,000	3,600	7,200	2,100
Arkansas	N	1.0-7.0	6	3,000	25,000	1,000	1,000	20
California	N	1.0-9.3	8	4,831	32,872	2,487	4,974	66
Colorado	N	5% of federal taxable income.			n.a	n.a	n.a	n.a
Connecticut	N	3.0-4.5(d)	2	2,250	2,250	n.a	n.a	12,000 (d)
Delaware	N	3.2-7.1	6	2,000	30,000	1,300	1,600	1,250
District of Columbia	N	6.0-9.5	3	10,000	20,000	2,000	2,000	1,370
Florida	N	None	n.a	n.a	n.a	n.a	n.a	n.a
Georgia	N	1.0-6.0	6	750	7,000	n.a	n.a	1,500
Hawaii	N	2.0-10.0	8	1,500	20,500	1,500	1,900	1,040
Idaho	N	2.0-8.2	8	1,000	20,000	4,000	6,700	2,100
Illinois	N	3.0	1	n.a	n.a	n.a	n.a	1,000
Indiana	N	3.4	1	n.a	n.a	n.a	n.a	1,000
Iowa	Y	0.4-9.98	9	1,082	48,645	1,360	3,350	20
Kansas	N	4.4-7.75	3	20,000	30,000	3,075	5,130	2,000
Kentucky	N	2.0-6.0	5	3,000	8,000	650	650	20
Louisiana	Y	2.0-6.0	3	10,000	50,000	n.a	n.a	4,500
Maine	N	2.0-8.5	4	4,150	16,500	4,000	6,700	2,550
Maryland	N	2.0-5.0	4	1,000	3,000	3,000	4,000	1,200
Massachusetts	N	5.95/12.0	1 (e)	n.a	n.a	n.a	n.a	2,200
Michigan	N	4.4	1	n.a	n.a	n.a	n.a	2,400
Minnesota	N	6.0-8.5	3	16,070	52,790	4,000	6,700	2,550
Mississippi	N	3.0-5.0	3	5,000	10,000	2,300	3,400	6,000
Missouri	Y	1.5-6.0	10	1,000	9,000	4,000	6,700	1,200
Montana	Y	2.0-11.0	10	1,800	64,900	2,770	5,540	1,480
Nebraska	N	2.62-6.99	4	2,400	26,500	4,000	6,700	76 (d)
Nevada	N	None	n.a	n.a	n.a	n.a	n.a	n.a
New Hampshire	N	5.0 (f)	1	n.a	n.a	n.a	n.a	1,200
New Jersey	N	1.4-6.37	6	20,000	75,000	n.a	n.a	1,000
New Mexico	N	1.7-8.5	7	4,000	50,000	4,000	6,700	2,550
New York	N	4.0-7.0	4	5,500	11,000	7,500	13,000	1,000
North Carolina	N	6.0-7.75	3	12,750	60,000	4,000	6,700	2,550
North Dakota	Y (c)	14% of federal income tax liability			n.a	n.a	n.a	n.a
Ohio	N	0.743-7.5	9	5,000	200,000	n.a	n.a	650
Oklahoma	Y (c)	0.5-7.0	8	1,000	10,000	2,000	2,000	1,000
Oregon	Y	5.0-9.0	3	2,150	5,400	4,000	6,700	2,550
Pennsylvania	N	2.8	1	n.a	n.a	n.a	n.a	n.a
Rhode Island	N	27.5% of federal income tax liability			n.a	n.a	n.a	n.a
South Carolina	N	2.5-7.0	6	2,250	11,250	4,000	6,700	2,550
South Dakota	N	None	n.a	n.a	n.a	n.a	n.a	n.a
Tennessee	N	6.0 (f)	n.a	n.a	n.a	n.a	n.a	n.a
Texas	N	None	n.a	n.a	n.a	n.a	n.a	n.a
Utah	Y	2.55-7.0	6	750	3,750	3,900	6,550	625
Vermont	N	25% of federal income tax liability			n.a	n.a	n.a	n.a
Virginia	N	2.0-5.75	4	3,000	17,000	3,000	5,000	800
Washington	N	None	n.a	n.a	n.a	n.a	n.a	n.a
West Virginia	N	3.0-6.5	5	10,000	60,000	n.a	n.a	2,000
Wisconsin	N	4.9-6.93	3	7,500	15,000	5,200(g)	8,900(g)	50
Wyoming	N	None	n.a	n.a	n.a	n.a	n.a	n.a

(a) Applies to single taxpayers and married people filing separately.

(b) Except for Mississippi, married-joint filers receive double the single exemption. Mississippi is \$3,400 for joint.

(c) Rates listed assume that taxpayers opt not to deduct their federal income tax liability. In Oklahoma, if a filer chooses to deduct his federal liability, then he faces 11 different marginal rates in the range of 0.5%-10%. The low rate applies to income under \$1,000; the high rate to income over \$16,000. In North Dakota, a filer who chooses to deduct his federal liability faces a range of rates from 2.67%-12% on income up to \$3,000 and over \$50,000, respectively. The higher rate structure induces only about 5% of North Dakota filers to deduct their federal liability each year.

(d) Taxpayers receive a declining tax credit instead of an exemption. For Connecticut, the credit is 75% of tax liability starting at \$15,000 of taxable income and declines to 0% after \$52,500. For Nebraska, taxpayers receive a \$72 credit for each exemption listed on their federal returns. The amount is phased out as a taxpayer's income increases.

(e) The 12% rate applies to interest, net capital gains, dividends for state residents, and state business income earned by nonresidents.

(f) Applies to interest and dividend income only.

(g) Deduction phases out to zero for single filers at \$50,830 and joint filers at \$55,000.

Source: Tax Foundation compilation based on survey of state revenue offices.

**Table 2**  
*Corporate Income Tax Rates (Effective for 1996)*

	Rates	No. of Brackets	Low Bracket	High Bracket	Special Rates or Notes
Alabama	5.0	1	n.a.	n.a.	6% on financial institutions; Federal deductability.
Alaska	1.0-9.4	10	\$10,000	\$90,000	
Arizona	9	1	n.a.	n.a.	
Arkansas	1.0-6.5	6	3,000	100,000	Corps. with net incomes exceeding \$100,000, 6.5% of entire net income.
California	9.3	1	n.a.	n.a.	7% alternative minimum tax rate
Colorado	5.0	1	n.a.	n.a.	
Connecticut	10.75	1	n.a.	n.a.	
Delaware	8.7	1	n.a.	n.a.	
District of Columbia	9.975	1	n.a.	n.a.	Rate includes 2.5% surtax rate.
Florida	5.5	1	n.a.	n.a.	3.3 alternative minimum tax rate.
Georgia	6.0	1	n.a.	n.a.	
Hawaii	4.4-6.4	3	25,000	100,000	4% capital gains rate, 7.92% on financial institutions.
Idaho	8.0	1	n.a.	n.a.	
Illinois	4.8	1	n.a.	n.a.	2.5% income replacement tax.
Indiana	3.4	1	n.a.	n.a.	4.5% on supplemental income.
Iowa	6.0-12.0	4	25,000	250,000	5% on financial institutions; 50% federal deductability.
Kansas	4.0	1	n.a.	n.a.	3.35% surtax over \$50,000; Banks 4.25% plus 2.125% surtax over \$25,000.
Kentucky	4.0-8.25	5	25,000	250,000	
Louisiana	4.0-8.0	5	25,000	200,000	
Maine	3.5-8.93	4	25,000	250,000	Federal deductability.
Maryland	7.0	1	n.a.	n.a.	27% of federal alternative minimum tax liability; 10% surtax.
Massachusetts	9.5	1	n.a.	n.a.	
Michigan	0.0-2.3	2	44,000	44,000	Franchise tax built into rate (.26% per \$1,000 of income)
					Modified VAT. Rate applies to gross receipts. Must file only with gross receipts over \$100,000. \$45,000 deductible.
					5.8% alternative minimum tax rate.
Minnesota	9.8	1	n.a.	n.a.	
Mississippi	3.0-5.0	3	5,000	10,000	50% of federal tax deductible.
Missouri	6.25	1	n.a.	n.a.	4.7% surtax rate.
Montana	6.75	1	500,000	500,000	
Nebraska	5.58-7.81	2	50,000	50,000	
Nevada	None	n.a.	n.a.	n.a.	
New Hampshire	7	1	n.a.	n.a.	Must file business profits tax only with gross receipts over \$50,000. Businesses with over \$100,000 in gross receipts or wages, interest, and dividends over \$50,000 are subject to 0.25% business enterprise tax on total value of wages, interest, and dividends. Such business' BPT liability is reduced by sum of BPT liability.
New Jersey	9.0	1	n.a.	n.a.	
New Mexico	4.8-7.6	3	500,000	1,000,000	
New York	9.0	1	n.a.	n.a.	
North Carolina	7.75	1	n.a.	n.a.	
North Dakota	3.0-10.5	6	3,000	50,000	5% for financial institutions plus 2% surtax rate; Federal deductability.
Ohio	5.1-8.9	2	50,000	50,000	For financial institutions, 0.015 times value of stock.
Oklahoma	6.0	1	n.a.	n.a.	
Oregon	6.6	1	n.a.	n.a.	
Pennsylvania	9.99	1	n.a.	n.a.	Imposes a "Capital Stock and Franchise Tax," which is a tax on five-year average income.
Rhode Island	9.0	1	n.a.	n.a.	
South Carolina	5.0	1	n.a.	n.a.	4.5% for banks; 6% for savings and loans.
South Dakota	None	n.a.	n.a.	n.a.	6% on a bank's net income.
Tennessee	6.0	1	n.a.	n.a.	
Texas	None	n.a.	n.a.	n.a.	
Utah	5.0	1	n.a.	n.a.	
Vermont	5.5-8.25	4	10,000	250,000	
Virginia	6.0	1	n.a.	n.a.	
Washington	None	n.a.	n.a.	n.a.	Gross receipts tax. The 20 different rates range from 0.012%-2.5% depending on the type of business activity.
West Virginia	9	1	n.a.	n.a.	
Wisconsin	7.9	1	n.a.	n.a.	5.5% surtax rate. A 0.4345% rate applies to the net Wisconsin business income of noncorporate entities. Sole proprietors with less than \$4,000 exempt.
Wyoming	None	n.a.	n.a.	n.a.	

Source: Tax Foundation compilation based on survey of state revenue offices.

**Table 3**  
*Various Tax Rates (State-level only, 1996)*

	General Sales and Use Tax	Gasoline Tax (Cents per Gallon)	Cigarette Tax (Cents per 20-pack)	Spirits Tax (Dollars per Gallon)	Table Wine Tax (Dollars per Gallon)	Beer Tax (Dollars per Gallon)
Alabama	4%	16¢	16.5¢	56% (a)	0.18/1.64 (b)	\$0.53
Alaska	0	8	29	\$5.6	\$0.85	0.35
Arizona	5	18	58	3	0.84	0.16
Arkansas	4.5	18.5	31.5	2.5	0.75	0.2
California	6	18	37	3.3	0.2	0.2
Colorado	3	22	20	3.04	0.62/0.42 (b)	0.08
Connecticut	6	38	50	4.5	0.6	0.194
Delaware	0	23	24	5.46	0.97	0.156
District of Columbia	5.75	20	65	1.5	0.3	0.09
Florida	6	5	33.9	6.5	2.25	0.48
Georgia	4	7.5	12	6.06	2.02	0.32
Hawaii	4	16	60	5.87	1.34	0.91
Idaho	5	25	28	0% (a)	0.45	0.15
Illinois	6.25	19	44	2	0.23	0.07
Indiana	5	15	15.5	2.68	0.47	0.115
Iowa	5	20	36	0% (a)	1.75	0.19
Kansas	4.9	18	24	2.5	0.3	0.18
Kentucky	6	15	3	1.92	0.5	0.08
Louisiana	4	20	20	3.33	0.152	0.32
Maine	6	19	37	14% (a)	0.6	0.35
Maryland	5	23.5	36	1.5	0.4	0.09
Massachusetts	5	21	51	4.05	0.55	0.106
Michigan	6	15	75	13.85% (a)	0.682	0.2
Minnesota	6	20	48	5.03	0.3	0.077
Mississippi	7	18	18	2.50 (a)	0.35	0.4268
Missouri	4.225	17	17	2	0.36	0.06
Montana	0	27	18	26% (a)	1.364	0.139
Nebraska	5	26.4 (d)	34	3	0.75	0.23
Nevada	6.5	24	35	2.05	0.4	0.09
New Hampshire	0	18	25	(a)	0.3	0.3
New Jersey	6	10.5	40	4.4	0.7	0.12
New Mexico	5	17	21	8.08	2.27	0.41
New York	4	8	56	8.586	0.1893	0.16
North Carolina	4	22 (d)	5	3.5% (a)	1.06	0.534
North Dakota	5	20	44	4.05	0.5	0.16
Ohio	5	22	24	3.38 (a)	0.3	0.18
Oklahoma	4.5	17	23	7.42	0.96	0.4
Oregon	0	24	38	0% (a)	0.67	0.084
Pennsylvania	6	12	31	1.25	0.032	0.08
Rhode Island	7	28	61	3.75	0.3/0.6 (b)	0.097
South Carolina	5	16	7	2.72	1.28	0.77
South Dakota	4	18	33	3.93	0.93	0.27
Tennessee	6	21	13	4	1.1	0.125
Texas	6.25	20	41	2.4	0.204	0.198
Utah	4.875	19.5	26.5	13% (a)	13%	0.355
Vermont	5	15	44	25% (a)	0.55	0.265
Virginia	3.5	17.5	2.5	20% (a)	2.02	0.283
Washington	6.5	23	81.5	42.6% (a)	1.023	0.148
West Virginia	6	20.5	17	0% (a)	1.33	0.177
Wisconsin	5	23.7	44	0.95	0.6	0.065
Wyoming	4	9	12	0.91 (a)	0.28	0.025

(a) Control states. Rates represent tax over and above state store markup. Often taxes are built into the markup. For example, Oregon has a zero tax rate, but a 99% mark up. The average mark up for stores in control states is about 48%. Private outlets have an average markup of about 25%.

(b) Rates represent native wine/non-native wine.

(c) Florida's gas rates vary by county. Counties may also add up to an additional 12%.

(d) Nebraska's gas rate is indexed and changes quarterly. North Carolina's rate is indexed and changes every 6 months.

Source: Tax Foundation compilation based on survey of state revenue offices.

**Table 4**  
**State Tax Collections Per Capita and Per \$1,000 of Personal Income**  
**and Corresponding Ranks**  
**Fiscal Year 1995**

	Total (\$Millions)	Per Capita	Per \$1,000 Personal Income	Rank	
				Per Capita	Per \$1,000 Personal Income
Alabama	\$5,077.8	1,192	65.41	46	35
Alaska	1,922.5	3,128	131.72	2	2
Arizona	6,223.5	1,477	72.08	25	22
Arkansas	3,391.8	1,366	77.98	33	14
California	53,269.1	1,682	71.05	14	23
Colorado	4,529.7	1,207	51.40	45	49
Connecticut	7,474.1	2,282	74.78	4	18
Delaware	1,588.7	2,223	91.07	5	5
Dist. of Col.	2,438.5	4,342	136.16	1	1
Florida	18,583.2	1,309	57.08	42	44
Georgia	9,486.6	1,314	61.63	41	38
Hawaii	2,874.5	2,409	97.97	3	3
Idaho	1,733.1	1,484	77.04	24	15
Illinois	16,589.8	1,403	56.38	28	45
Indiana	8,045.8	1,386	65.00	30	32
Iowa	4,403.4	1,551	73.35	19	21
Kansas	3,765.5	1,462	67.02	26	29
Kentucky	6,284.6	1,627	87.13	16	6
Louisiana	4,677.0	1,077	57.21	49	43
Maine	1,812.6	1,460	70.89	27	24
Maryland	8,061.0	1,593	61.46	17	40
Massachusetts	11,601.1	1,911	70.29	7	26
Michigan (a)	17,723.5	1,858	78.42	10	13
Minnesota	9,327.9	2,021	86.60	6	7
Mississippi	3,599.2	1,333	80.37	39	9
Missouri	6,752.0	1,268	58.45	44	41
Montana	1,214.2	1,392	75.15	29	17
Nebraska	2,219.7	1,358	62.13	37	37
Nevada	2,698.3	1,755	70.36	12	25
New Hampshire	916.5	796	31.48	51	51
New Jersey	13,607.0	1,710	58.45	13	42
New Mexico	2,844.5	1,679	93.70	15	4
New York	34,294.5	1,884	70.19	8	27
North Carolina	11,425.7	1,588	76.66	18	16
North Dakota	958.7	1,499	79.79	21	11
Ohio	15,186.2	1,362	61.57	36	39
Oklahoma	4,416.5	1,344	73.96	38	20
Oregon	4,286.0	1,365	62.43	35	36
Pennsylvania	18,262.1	1,511	64.72	20	33
Rhode Island	1,490.3	1,498	64.39	22	34
South Carolina	4,763.1	1,287	68.65	43	28
South Dakota	694.0	955	48.74	50	50
Tennessee	5,907.7	1,123	54.87	47	47
Texas	20,288.8	1,082	52.27	48	48
Utah	2,675.5	1,366	74.76	34	19
Vermont	801.4	1,371	65.21	32	30
Virginia	8,783.9	1,323	56.11	40	46
Washington	10,195.6	1,877	79.09	9	12
West Virginia	2,731.9	1,495	83.18	23	8
Wisconsin	9,029.5	1,762	80.31	11	10
Wyoming	666.7	1,382	65.07	31	31
All States	\$401,594.8	1,526	66.78		

Source: Tax Foundation.

\$1,000-of-personal-income rankings, but in opposite directions. This disparity can be explained by the relative per capita income levels of the two states. (Per capita income in Mississippi is about 58 percent of that in New Jersey, and the state tax system is more progressive than that in New Jersey.)

Mississippi is ranked 39th in terms of tax burden per capita, but is ranked 9th in terms of tax burden per \$1,000 of personal income. New Jersey is ranked 13th in per capita tax burden, but 42nd in terms of tax burden per \$1,000 of personal income.

## Income Tax Rate Changes

*Table 1* reports elements of the states' individual income tax laws. *Table 2* reports elements of the states' corporate income tax laws.

A dozen states enacted legislation for 1996 that alters individual income tax laws via changes in deductions, exemptions, and tax credits. However, six states changed (reduced) some or all of their individual income tax rates: Arizona, California, Connecticut, Delaware, New Jersey, and New York. Arizona reduced tax rates in each of its five brackets. The top rate was reduced from 6.9 to 5.6 percent. The bottom rate was reduced from 3.25 to 3.0 percent. California's temporary, top two tax brackets (10 and 11 percent) expired after the 1995 tax year. As a result, California's top rate will drop from 11 percent to 9.3 percent. However, a voter referendum on reinstating the top two rates retroactively has been organized. For single taxpayers, the 11 percent rate would apply to taxable incomes above \$223,390; for joint filers it would apply to taxable income over \$446,780. Connecticut created a second, lower tax bracket, which reduces the tax rate on the first \$4,500 of taxable income from 4.5 to three percent. Delaware modified its tax bracket schedule. Among other changes, it dropped the top tax bracket from \$40,000 to \$30,000 of taxable income, but it also dropped the top tax rate from 7.7 to 7.1 percent. New Jersey instituted an across-the-board tax rate reduction. The top rate was lowered from 6.58 to 6.37 percent and the bottom rate was lowered from 1.7 to 1.4 percent. New York also instituted lower tax rates across-the-board, but it also modified the income break points. The top rate was lowered from 7.5 to 7.0 percent and the bottom rate was lowered from 4.55 to 4.0 percent. The top bracket was lowered from \$25,000 to \$22,000 and the bottom bracket was lowered from \$13,000 to \$11,000.

**Table 5**  
*State Government Tax Collections by Type (\$Billions)*  
*Fiscal Years 1985-1995*

Type of Tax/Year	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Avg.	Annual
												Growth Rate	Growth Rate
												85-95	94-95
General Sales	\$69.6	\$74.8	\$79.2	\$87.1	\$93.5	\$99.9	\$103.7	\$108.1	\$114.9	\$123.8	\$132.7	6.7%	7.2%
Individual Income	63.9	67.4	76.2	80.1	88.8	96.1	99.9	105.0	112.6	118.4	126.3	7.0	6.7
Corporate Income	17.6	18.4	20.5	21.6	23.9	21.8	21.0	21.6	24.2	25.6	29.2	5.2	14.0
Motor Fuels	13.3	14.1	15.7	17.2	18.1	19.4	20.6	22.2	23.6	24.6	25.5	6.7	3.7
Licenses	13.8	14.9	15.9	17	17.7	18.8	19.4	21.7	23.3	24.3	26.1	6.6%	7.8
Other	6	6.4	7.1	7.4	7.7	7.9	7.9	4.2	12.2	13.6	14.3	9.1%	5.1
Insurance	4.5	5.5	6.3	6.9	7.4	7.4	7.7	7.8	7.9	8.6	8.6	6.7	-0.3
Public Utilities	6.2	6	6	6.2	6.2	6.5	6.8	7.8	8.3	8.7	8.2	2.9	-4.8
Property	4	4.4	4.7	5	5.3	5.8	6.2	6.6	7.1	9.2	10.2	9.9%	11.4
Tobacco	4.4	4.5	4.6	4.8	5.1	5.5	6	6.1	6.2	6.6	7.4	5.3%	11.2
Severence	7.2	6.1	4	4.3	4.1	4.7	5.4	4.6	4.9	4.3	4.5	-4.7	3.9
Death and Gift	2.3	2.5	3	3.2	3.5	3.8	4.3	4.4	4.7	5.1	4.9	7.9	-2.7
Alcohol	3	3.1	3.1	3.2	3.1	3.2	3.4	3.5	3.6	3.6	3.6	1.8%	-0.5
Total State Taxes	215.9	228.1	246.5	264.1	284.4	300.8	313.1	330.4	353.3	376.3	401.6	6.4%	6.7%
Annual % Change	9.65%	5.65%	8.07%	7.14%	7.69%	5.77%	4.09%	5.53%	6.94%	6.50%	6.72%	*	*
Total State Taxes (Constant 1985 \$)	215.9	221.9	232.5	240.5	248.6	251.9	252.3	258.9	269.9	280.6	292.7	3.1%	4.3%
Annual % Change	5.26%	2.77%	4.80%	3.43%	3.36%	1.34%	0.15%	2.63%	4.24%	3.96%	4.31%	*	*

Source: Bureau of Census; Tax Foundation compilation based on survey of state finance offices.

Only Connecticut enacted a change (reduction) in its corporate tax rate. For 1996, Connecticut lowered the corporate income tax rate from 11.5 to 10.75 percent. The rate is scheduled to decline to 7.5 percent by the year 2000. However, 13 states made tax law changes for 1996 that modified the taxable base on businesses. Nine states — Arkansas, Maryland, Michigan, North Carolina, Oregon, Pennsylvania, Tennessee, Washington, and West Virginia — reduced taxes through tax base changes. Four states — Iowa, Minnesota, Nebraska, and Rhode Island — increased taxes through tax base changes.

### Other Tax Rates

Table 3 lists, state-by-state, sales tax rates, gasoline tax rates, cigarette tax rates, and tax rates on liquor, wine, and beer.

Many states enacted specific changes to their sales and use tax laws. No state explicitly changed its sales and use tax rate.

However, Vermont and Wyoming did cancel a scheduled 1 percent reduction in their sales tax rates.

Four states changed their excise tax rates on motor fuels. Connecticut will increase, in increments, its gasoline excise from 35 to 38 cents per gallon. New Mexico decreased its gasoline excise from 20 to 17 cents per gallon. North Dakota increased its gas tax from 18 to 20 cents per gallon. And, finally, New York reduced its diesel fuel excise from 10 to 8 cents per gallon.

Four states increased their cigarette tax rates. Rhode Island increased its rate from 56 to 61 cents per pack; South Dakota from 23 to 33 cents per pack; Vermont from 20 to 44 cents per pack; and Wisconsin from 38 to 44 cents per pack. Oregon reinstated its temporary cigarette tax increase, eliminating the scheduled rate reduction from 38 to 28 cents per pack.

**Table 6**  
*State Tax Collections and Distribution by Source*  
*Fiscal Year 1995*

		Distribution					
	Total (\$Millions)	General Sales & Use	Individual Income	Corporate Income	Motor Fuels	Licenses	All Other
Alabama	\$5,077.8	26.9%	29.2%	4.7%	9.0%	9.5%	20.8%
Alaska	1,922.5	0.0	0.0	27.5	2.1	3.9	66.6
Arizona	6,223.5	44.5	23.8	6.7	7.2	5.5	12.2
Arkansas	3,391.8	38.4	30.9	5.6	9.7	5.8	9.6
California	53,269.1	33.2	34.4	10.8	5.1	5.4	11.1
Colorado	4,529.7	27.2	46.4	4.2	9.2	5.9	7.1
Connecticut	7,474.1	31.7	33.1	9.4	5.6	4.2	16.0
Delaware	1,588.7	0.0	35.4	12.2	5.8	32.8	13.8
Dist. of Col.	2,438.5	19.9	26.4	6.6	1.4	1.9	43.7
Florida	18,583.2	57.3	0.0	5.1	7.2	7.1	23.3
Georgia	9,486.6	37.3	40.5	6.9	5.5	4.2	5.6
Hawaii	2,874.5	47.4	32.2	1.6	2.6	2.9	13.2
Idaho	1,733.1	33.2	34.6	7.5	8.8	8.6	7.3
Illinois	16,589.8	29.9	32.0	8.9	6.8	5.7	16.6
Indiana	8,045.8	33.7	40.5	10.9	7.5	2.8	4.6
Iowa	4,403.4	33.2	36.7	5.0	8.2	9.1	7.7
Kansas	3,765.5	36.6	32.7	6.9	7.6	5.3	10.8
Kentucky	6,284.6	26.7	31.3	5.4	6.3	5.9	24.3
Louisiana	4,677.0	31.9	22.7	6.1	10.4	9.5	19.4
Maine	1,812.6	35.9	35.3	3.5	8.5	6.3	10.5
Maryland	8,061.0	24.2	42.2	4.5	7.4	4.4	17.2
Massachusetts	11,601.1	21.4	51.5	10.4	5.0	3.7	8.0
Michigan (a)	17,723.5	33.1	30.9	12.0	4.6	4.8	14.6
Minnesota	9,327.9	29.4	39.3	7.1	5.4	7.6	11.2
Mississippi	3,599.2	47.0	19.0	5.6	9.7	6.3	12.4
Missouri	6,752.0	34.8	37.5	5.5	8.1	7.1	7.0
Montana	1,214.2	0.0	30.6	6.2	13.4	11.6	38.1
Nebraska	2,219.7	35.2	33.4	5.6	11.7	6.8	7.4
Nevada	2,698.3	53.3	0.0	0.0	6.7	11.4	28.6
New Hampshire	916.5	0.0	4.1	18.2	11.1	12.2	54.4
New Jersey	13,607.0	30.4	33.4	7.6	3.4	5.3	20.0
New Mexico	2,844.5	42.8	20.8	5.3	6.7	5.5	18.9
New York	34,294.5	20.0	51.3	8.2	1.4	3.0	16.2
North Carolina	11,425.7	24.5	41.1	7.9	8.0	6.2	12.3
North Dakota	958.7	29.6	14.9	7.3	9.4	7.9	30.9
Ohio	15,186.2	31.3	36.6	4.7	8.2	8.8	10.4
Oklahoma	4,416.5	25.9	32.1	3.8	8.8	13.0	16.5
Oregon	4,286.0	0.0	65.3	7.3	8.5	11.8	7.2
Pennsylvania	18,262.1	30.4	27.0	9.8	4.3	10.3	18.3
Rhode Island	1,490.3	30.6	35.6	5.5	8.3	5.7	14.3
South Carolina	4,763.1	37.7	34.8	5.3	6.7	6.9	8.8
South Dakota	694.0	51.7	0.0	5.8	12.8	12.6	17.1
Tennessee	5,907.7	56.9	1.7	8.3	12.2	10.2	10.6
Texas	20,288.8	50.6	0.0	0.0	11.0	13.8	24.6
Utah	2,675.5	39.9	38.3	5.5	7.6	3.7	5.1
Vermont	801.4	21.7	31.2	6.0	7.2	8.1	25.8
Virginia	8,783.9	21.9	49.1	4.2	7.7	4.9	12.2
Washington	10,195.6	59.3	0.0	0.0	6.5	4.7	29.5
West Virginia	2,731.9	29.0	26.0	8.0	7.6	5.5	23.9
Wisconsin	9,029.5	28.5	43.6	7.4	7.3	4.8	8.4
Wyoming	666.7	31.2	0.0	0.0	6.5	10.7	51.6
All States	\$401,594.8	33.0%	31.4%	7.3%	6.3%	6.5%	15.4%

(a) Michigan's Single Business Tax, which is a modified VAT, is listed as a corporate income tax.  
Source: Tax Foundation.

**Table 7**  
*State Tax Growth Compared to Personal Income (PI) Growth, by State  
Fiscal Years 1985-1995*

	Avg. Annual Tax Growth 1985-1995 (Real 1985 \$)	Avg. Annual PI Growth 1985-1995 (Real 1985 \$)	Avg. Annual Growth of Taxes Relative to PI 1985-1995 (Real 1985 \$)	Tax Growth Rank 1985-1995	Growth of Taxes Relative to PI 1994-1995 (Current \$)	Tax Growth Rank 1994-1995
Alabama	2.38	3.04	-0.65	45	0.62	26
Alaska	-2.93	0.99	-3.92	50	52.10	1
Arizona	4.41	4.40	0.02	30	-0.61	31
Arkansas	3.55	2.44	1.10	9	1.34	17
California	2.98	2.60	0.38	22	0.48	27
Colorado	3.75	3.07	0.68	17	1.02	22
Connecticut	4.53	2.34	2.19	2	5.04	5
Delaware	3.56	3.63	-0.07	36	2.70	11
Dist. of Col.	0.34	1.32	-0.98	46	-5.19	46
Florida	4.98	4.16	0.83	10	-3.42	43
Georgia	4.33	4.04	0.29	25	-0.02	29
Hawaii	4.40	3.75	0.65	19	-7.52	48
Idaho	5.59	4.17	1.42	7	-0.69	32
Illinois	2.74	2.31	0.43	21	1.17	20
Indiana	3.07	2.81	0.25	26	4.33	7
Iowa	3.35	1.96	1.40	8	1.43	16
Kansas	3.66	1.86	1.81	3	3.48	44
Kentucky	4.28	2.74	1.54	4	4.22	8
Louisiana	-1.22	1.66	-2.88	49	-0.84	33
Maine	2.77	3.04	-0.27	41	-3.10	42
Maryland	3.12	3.16	-0.04	33	0.87	24
Massachusetts	2.48	2.35	0.13	29	-1.37	36
Michigan	4.05	2.61	1.44	6	7.60	3
Minnesota	2.66	2.85	-0.18	40	1.86	13
Mississippi	3.77	3.01	0.76	13	1.99	12
Missouri	3.91	2.45	1.46	5	7.80	2
Montana	3.28	2.60	0.68	18	-1.29	35
Nebraska	4.52	2.21	2.31	1	-2.17	39
Nevada	7.65	7.33	0.33	24	2.83	10
New Hampshire	4.41	3.64	0.77	12	1.34	18
New Jersey	2.54	2.58	-0.04	34	-5.34	47
New Mexico	3.72	3.13	0.59	20	-13.68	50
New York	1.90	2.33	-0.43	42	-0.01	28
North Carolina	4.83	4.03	0.80	11	0.94	23
North Dakota	0.09	0.69	-0.60	44	7.23	4
Ohio	2.49	2.34	0.16	28	0.65	25
Oklahoma	0.77	0.79	-0.02	32	-0.53	30
Oregon	4.65	3.92	0.73	15	-2.58	40
Pennsylvania	2.74	2.50	0.23	27	1.05	21
Rhode Island	2.34	2.46	-0.12	38	-2.02	38
South Carolina	2.42	3.50	-1.08	47	-1.10	34
South Dakota	3.59	2.88	0.71	16	4.69	6
Tennessee	3.69	3.85	-0.16	39	-3.75	45
Texas	2.51	2.50	0.01	31	-2.88	41
Utah	3.95	4.05	-0.10	37	1.51	14
Vermont	2.45	3.03	-0.58	43	-9.10	49
Virginia	3.66	3.29	0.37	23	3.09	9
Washington	4.95	4.20	0.75	14	-1.93	37
West Virginia	0.71	2.06	-1.35	48	1.51	15
Wisconsin	2.65	2.70	-0.05	35	1.22	19
Wyoming	-4.94	1.25	-6.19	51	-15.48	51
All States	3.04%	2.82%	0.22%		0.26%	

Source: Tax Foundation.

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