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Census Bureau Releases 2010 State Tax Collection Data

By
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New data from the Census Bureau shows that state-level tax revenue fell for the second year in a row in 2010. State tax revenues fell by more than $14 billion from 2009 to 2010, about a 2 percent drop. Falling revenues helped contribute to state budget problems in 2009 as well, when revenues fell by about 8.5 percent from 2008 levels (see Tables 1 and 2).

Table 1. State Government Tax Collections, FY 2006 – 2010 ($Billions)

Year	Total Tax Collections	Individual Income Tax	Corporate Income Tax	Sales Taxes	Other Taxes
2006	$716	$246	$47	$338	$85
2007	$757	$266	$53	$353	$86
2008	$785	$279	$52	$361	$93
2009	$719	$247	$41	$345	$86
2010	$705	$236	$38	$344	$86

Source: US Census Bureau, State, & Local Governments Division
Note: This data is not inflation-adjusted and excludes local level tax collections, the largest of which are local property taxes.

All the major sources of state revenue (sales taxes, individual income taxes, and corporate income taxes) fell in 2010. In terms of percentage change, corporate income taxes dropped the most, falling 6.7 percent in 2010. Corporations tend to have more volatile tax liabilities than individuals because their profits are strongly tied to the health of the economy. Table 2 illuminates this relationship. Corporate income taxes grew 11 percent in 2007, faster than any other major tax, while the economy was still doing well. However, in 2008 as the economy began to have trouble, corporate taxes crashed faster than other taxes, falling 2.2 percent while other taxes simply grew at slower rates. By 2009 all the major taxes were falling, with corporate taxes experiencing the most dramatic drop, falling nearly twice as fast as individual income taxes.

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Table 2. State Government Tax Collections, Percent Change from Previous Year, FY 2007 – 2010

Year	Total Tax Collections	Individual Income Tax	Corporate Income Tax	Sales Taxes	Other Taxes
2007	-	8.2%	11.5%	4.4%	1.3%
2008	3.6%	5.0%	-2.2%	2.3%	8.2%
2009	-8.4%	-11.3%	-20.9%	-4.5%	-7.6%
2010	-2.0%	-4.5%	-6.7%	-0.2%	0.1%

Source: Tax Foundation calculations based on tax collections data from the US Census Bureau

Tax Collections vs. Tax Burdens

While state tax collections data can inform state budget and policy issues, the Tax Foundation cautions against using state tax collection numbers as a measure of the *tax burden* on taxpayers for two reasons. First, when one explores how residents of different states are burdened by taxes, state tax collections are only one of the pieces of the puzzle. Local taxes are also important. Local governments collected about $550 billion in taxes in 2008, mostly from property taxes, compared to the $780 billion tax bite from state governments.

However, to truly estimate the burden of state and local taxes on taxpayers, one must go even further. Tax collections data answers the question, "How much revenue does a state collect?" But fundamental to the concept of a tax *burden* is the taxpayer's perspective, which helps us answer the question, "How much does the average taxpayer pay in total state and local taxes?" These two questions are different because not all of a state's tax revenue is collected from its own residents. State and local governments are able to "export" a significant portion of their tax burdens to the residents of other states. This "tax exporting" occurs for various reasons, both by design and through ordinary economic processes.

Some states have special sources of revenue, such as oil taxes and large tourist industries, which are easily exported to residents of other states. Also some taxes are naturally exported through no effort of state lawmakers. For instance, since the burden of corporate taxes ultimately falls on customers, shareholders, and employees, who are all located in many different states, the burden of taxes on corporations is naturally exported.

It turns out that over a quarter of the average taxpayer's tax burden originates in states where he or she doesn't reside.[1] The Tax Foundation's State and Local Tax Burdens report accounts for many forms of tax exporting, and the estimates from our latest report are in Table 3. These data show that in 2009 residents of Alaska, a high *revenue* state, actually bore the lowest *burden* in the nation, paying only 6.3 percent of their income in state and local taxes. This is because Alaska raises over 70 percent of its tax revenue from taxes on oil extraction, a tax which is passed on to consumers around the country. The residents of New Jersey were the highest taxed, with 12.2 percent of their income going to state and local taxes.

A recent *Wall Street Journal* article ("Tax Revenue Snaps Back," March 30, 2011) examined state and local tax revenue for calendar year 2010 and found that tax revenues actually increased since 2009. This may sound like a contradiction to the data presented here, but in fact, both are correct.

One reason is that the *Wall Street Journal* article examined both state *and* local tax revenue, while our data excludes local tax revenue. The reason we exclude it is that the Census Bureau's quarterly local

[1] See *Tax Foundation Special Report* No. 189, "State-Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster than Income," available at http://taxfoundation.org/publications/show/22320.html

tax revenue data is frequently revised up to two years after its initial release, until more final totals can be determined. It is not incorrect to cite these preliminary numbers, but we usually choose not to use them due to the relatively high level of revision to which they are subject. While state-local combined tax data is important when considering total taxes faced by taxpayers, state-only data has value in that it considers only the revenue that state-level governments actually had to work with in 2010. After all, state governments must balance their spending and their revenue.

The second difference between the data here and the data used in the *Wall Street Journal* article is that our data is based on the 2010 state fiscal year, while the *Wall Street Journal*'s data is based on the calendar year. We usually use fiscal year data, which runs from July through June, because states operate on this budget timeframe and are concerned with balancing revenue and spending within this timeframe. In fact, shifting from the calendar year view to the fiscal year view shows state and local tax revenue falling slightly, though not even half a percentage point.

Local taxes, based mostly on property taxes, tend to be more stable, which is one reason the data that includes local taxes shows a quicker recovery.

Table 3. Tax Foundation's State and Local Tax Burdens vs. Tax Collections , FY 2009

	Tax Foundation's Tax Burden Measure		Tax Collections	
State	Taxes Paid by Residents as a Percent of Their Income	Rank	Taxes Collected by Governments as a Percent of Residents' Income	Rank
U.S. Average	9.8%	–	10.4%	–
Alabama	8.5%	40	8.4%	49
Alaska	6.3%	50	21.0%	1
Arizona	8.7%	38	9.5%	35
Arkansas	9.9%	14	10.1%	29
California	10.6%	6	10.7%	16
Colorado	8.6%	39	9.1%	43
Connecticut	12.0%	3	11.5%	10
Delaware	9.6%	23	11.3%	11
Florida	9.2%	31	9.9%	30
Georgia	9.1%	32	9.5%	36
Hawaii	9.6%	22	11.7%	8
Idaho	9.4%	28	9.2%	41
Illinois	10.0%	13	10.4%	24
Indiana	9.5%	25	10.5%	23
Iowa	9.5%	24	10.7%	18
Kansas	9.7%	19	10.9%	13
Kentucky	9.3%	30	9.6%	33
Louisiana	8.2%	42	10.4%	25
Maine	10.1%	9	12.0%	6
Maryland	10.0%	12	9.2%	42
Massachusetts	10.0%	11	9.8%	31
Michigan	9.7%	21	10.6%	19
Minnesota	10.3%	7	10.9%	14

Mississippi	8.7%	36	10.1%	28
Missouri	9.0%	34	8.8%	46
Montana	8.7%	35	10.6%	20
Nebraska	9.8%	15	10.7%	17
Nevada	7.5%	49	9.4%	37
New Hampshire	8.0%	44	8.9%	44
New Jersey	12.2%	1	11.8%	7
New Mexico	8.4%	41	10.5%	22
New York	12.1%	2	14.2%	3
North Carolina	9.8%	16	9.7%	32
North Dakota	9.5%	26	13.4%	4
Ohio	9.7%	18	10.5%	21
Oklahoma	8.7%	37	9.4%	39
Oregon	9.8%	17	9.3%	40
Pennsylvania	10.1%	10	10.1%	27
Rhode Island	10.7%	5	11.1%	12
South Carolina	8.1%	43	8.6%	48
South Dakota	7.6%	48	8.6%	47
Tennessee	7.6%	47	8.3%	50
Texas	7.9%	45	9.4%	38
Utah	9.7%	20	10.1%	26
Vermont	10.2%	8	12.1%	5
Virginia	9.1%	33	8.9%	45
Washington	9.3%	29	9.6%	34
West Virginia	9.4%	27	10.8%	15
Wisconsin	11.0%	4	11.6%	9
Wyoming	7.8%	46	16.2%	2
District of Columbia	9.6%	(24)	12.0%	(6)

Note: As a unique state-local entity, D.C. is not included in Tax Foundation rankings, but the figures in parentheses show where it would rank. The local portions of tax collection figures rely on projections. The figures presented here as the "Tax Collections" method are calculations by the Tax Foundation using 2009 data or projections thereof, replicating the methodology that many organizations, including the Federation of Tax Administrators, use each year to calculate each state's tax burden. The most recent year FTA has published is 2008. The Tax Foundation uses a special income measure that modifies personal income. This is why the US averages are not the same between the two methods.

Source: *Tax Foundation Special Report* No. 189 "State-Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster than Income," http://taxfoundation.org/files/sr189.pdf.

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