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Fiscal Fact

State Tax Collections Rising in Post-Recession Recovery

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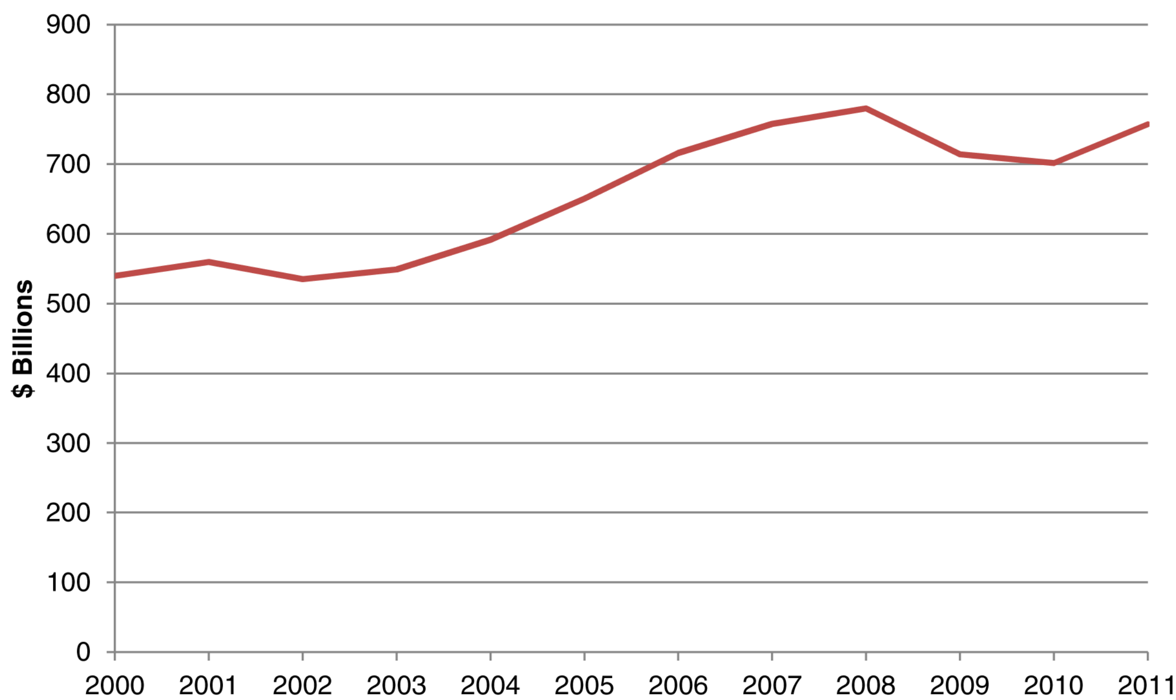
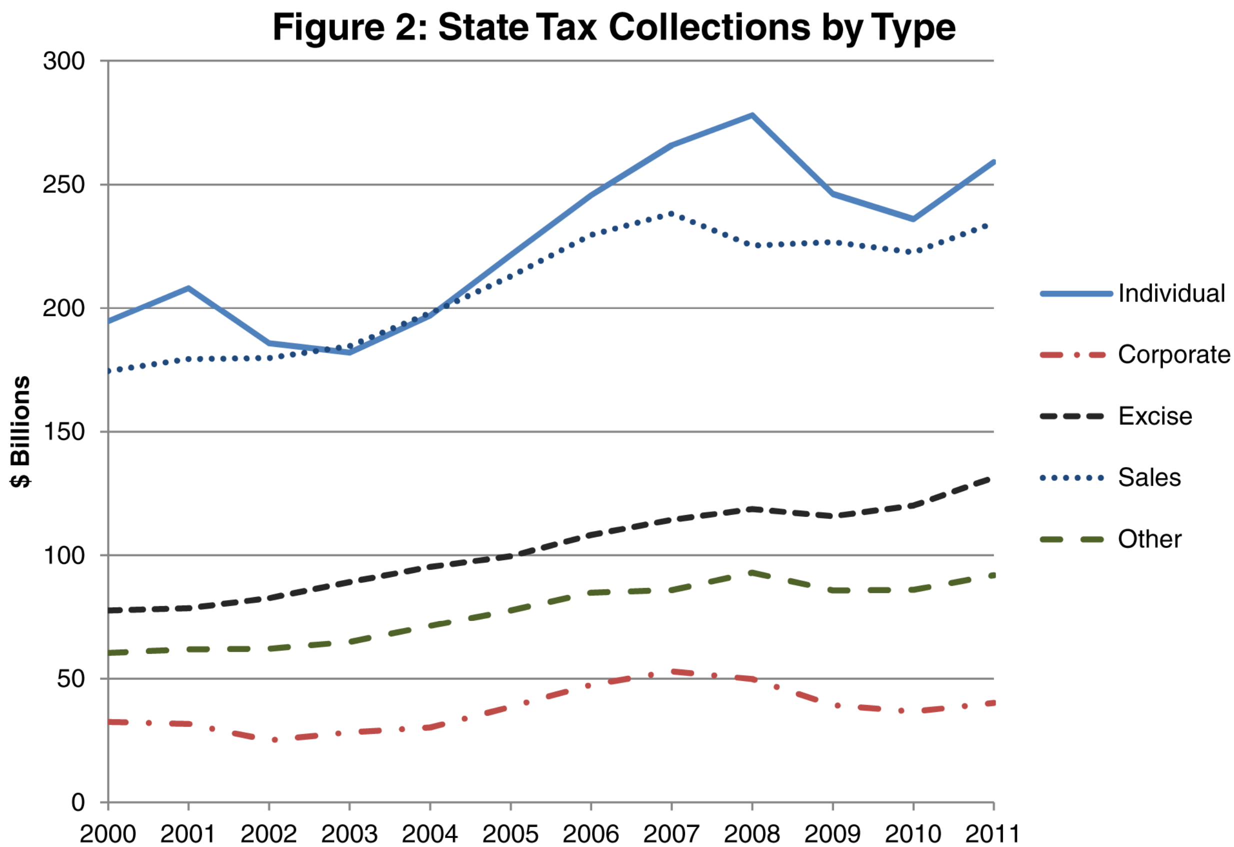
After two years of falling revenue, total state government tax collections increased by nearly 9 percent during 2011, according to data released by the United States Census Bureau.[1] Total collections were $757 billion last year,[2] still slightly less than 2007 levels prior to the recession. Figure 1 below shows state government tax collections since fiscal year 2000. Total collections have increased by approximately 40 percent in nominal terms over this time period.

Figure 1: Total State Government Tax Collections



[1] Rudy Telles, Sheila O'Sullivan, & Jesse Willhide, *State Government Tax Collections Summary Report: 2011,* United States Census Bureau, Governments Division Brief G11-STC, http://www2.census.gov/govs/statetax/2011stcreport.pdf.
[2] This data was updated on April 17, 2012 and is available at http://www.census.gov/newsroom/releases/archives/governments/cb12-62.html.

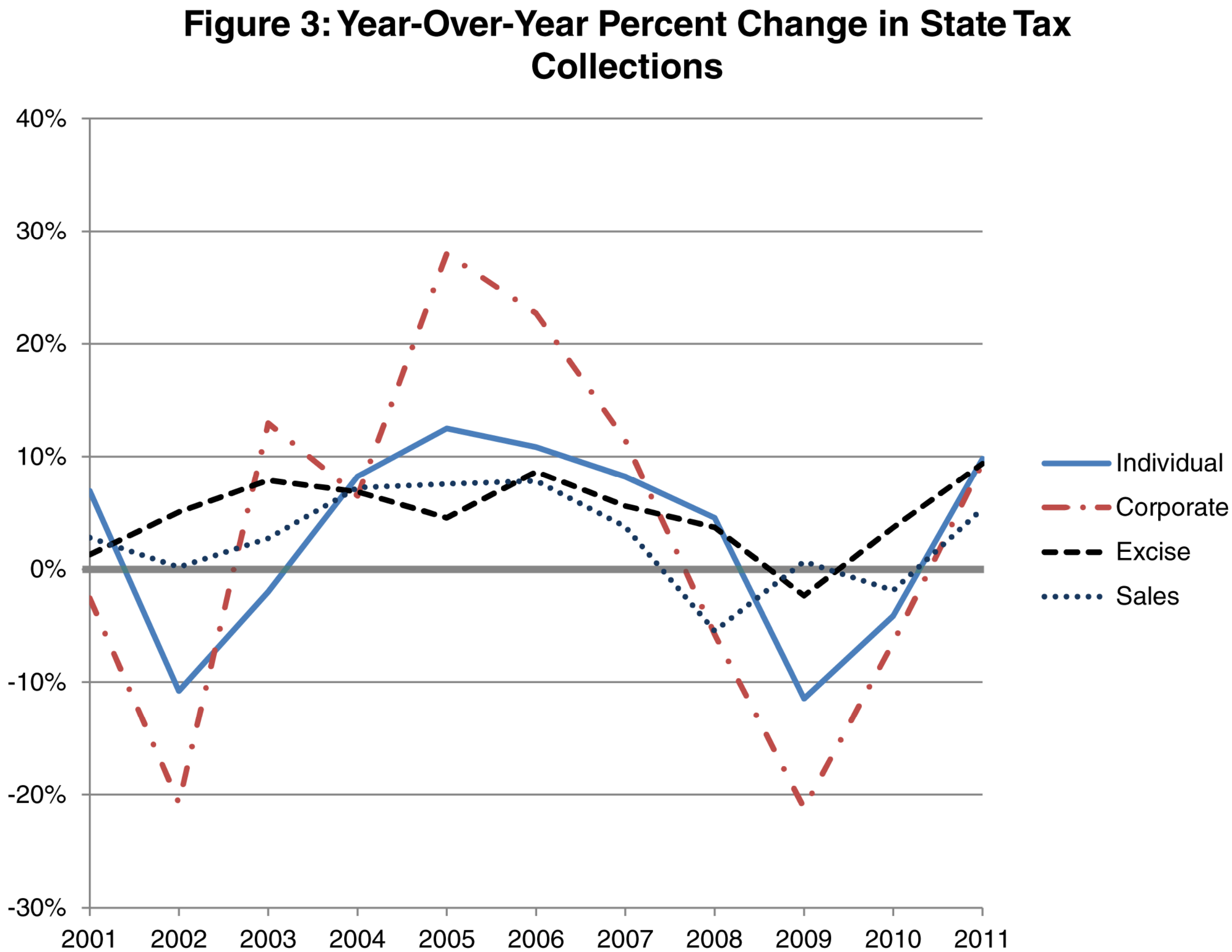
All major types of state taxes saw increased collections in 2011, as seen in Figure 2. Individual income and corporate income tax collections had the largest increases, increasing by 9.8 and 9.4 percent, respectively. Although 7 states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) do not levy an individual income tax,[3] these collections accounted for the largest proportion of total state collections nationwide: 34.2 percent in 2011. Sales taxes were the next largest, making up 31 percent of the total. Excise taxes alone brought in over $131 million for state governments, amounting to 17.4 percent of their total tax collections. Corporate income accounted for a mere 5.3 percent, with smaller taxes composing the remaining total.



Note: "Other" taxes include state-level property taxes, licenses, death and gift taxes, documentary and stock transfer taxes, and severance taxes.

While the recession caused a drop in state tax revenues across the board, some tax sources were more volatile than others. Examining percent changes in tax collections since 2000, it is clear that revenue from state corporate income taxes has by far been the most volatile over the last decade. This is largely due to the fact that taxable corporate incomes are highly dependent on the health of the economy. Individual income tax exhibited significant volatility over the last decade as well. Sales and excise taxes were more stable, though they were still subject to year over year declines during the recession. It ultimately remains to be seen where tax collection growth rates will stabilize as the economy continues to recover.

[3] In addition, Tennessee and New Hampshire do not tax wage income but do tax capital gains and dividends.



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