

from the Tax Policy Center

State and Local Revenues

By Kim Rueben and Kelly Rader

State and local revenues have been relatively stable over the last 30 years, growing from 13.5 percent of GDP in 1972 to 16.1 percent in 2002. However, as shown in the table, the composition of revenues has changed, with property taxes declining from 25.6 percent of revenues to only 16.6 percent. This decline was largely offset by state and local governments' heavier reliance on charges and the growth of miscellaneous revenue, which together increased from 16 percent to 25 percent of revenues over this period. The growth in miscellaneous revenue is largely due to growth in interest earnings from accounts and lottery revenues, while charges for higher education, hospitals, and sewage and waste disposal also increased.

Personal income taxes increased as a share of all revenues from 9 percent to 12 percent, after peaking at 13.7 percent in 2000 at the end of the 1990s boom. General and select sales taxes declined slightly from 22 to 18 percent of revenues.

These relatively stable patterns mask significant differences in revenue patterns across states. The decline in property tax revenues during the late 1970s followed passage of Proposition 13 in California and similar limitations in other states. California property tax revenues fell from 32 percent of general revenues in 1972 to 13 percent in 2002. In 2002, property taxes made up more than one-third of general revenues in New Hampshire and less than 7 percent of revenues in New Mexico and Alabama. Seven states had no personal income tax, while Massachusetts and Maryland raised more than one-fifth of their revenues from personal income taxes. Similarly four states did not levy general sales taxes in 2002, while another four states received more than 20 percent of revenues from this source. Utah, South Carolina, Mississippi and Alabama raised more than 20 percent of revenues from charges while Alaska raised more than one-third of its revenues from miscellaneous revenue sources and Washington, D.C., received about half of its general revenues from the federal government.

Sources of State and Local Revenue, Selected Years, 1972-2002

	1972	1977	1982	1987	1992	1997	2002
Total Revenue as Percent of GDP	13.5%	14.0%	14.1%	14.5%	15.4%	15.5%	16.1%
Real per capita Revenue (2002\$)	\$3,442.22	\$3,853.82	\$3,674.44	\$4,479.11	\$4,885.87	\$5,296.03	\$5,850.44
Percentage Composition							
General Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Own Sources	81.3%	78.1%	80.9%	83.3%	81.7%	81.0%	78.6%
Total Taxes	65.4%	61.7%	58.2%	58.9%	57.2%	56.5%	53.7%
Property Tax	25.6%	21.9%	17.9%	17.6%	18.4%	17.0%	16.6%
General Sales Tax	12.1%	12.8%	13.2%	14.1%	13.5%	13.8%	13.2%
Select Sales Tax	10.2%	8.5%	7.2%	6.9%	6.7%	6.4%	6.0%
Individual Income Tax	9.1%	10.3%	11.1%	12.2%	11.8%	12.3%	12.0%
Corporate Net Income Tax	2.6%	3.2%	3.3%	3.3%	2.4%	2.6%	1.7%
Other taxes	5.7%	5.0%	5.5%	4.8%	4.3%	4.3%	4.2%
Charges for Services	11.3%	10.9%	12.4%	12.7%	14.1%	14.8%	15.0%
Miscellaneous General Revenue ^a	4.6%	5.5%	10.3%	11.6%	10.4%	9.7%	9.9%
Transfers From Federal Government	18.7%	21.9%	19.1%	16.7%	18.3%	19.0%	21.4%
^a Miscellaneous General Revenue includes state and local revenues from interest earnings, net lottery revenues, assessments, sale of property, fines and forfeitures, rents and royalties, gifts of cash or securities from private individuals or corporations, and other revenues received that are not classifiable as a tax, intergovernmental revenue, or a current charge. About half of miscellaneous general revenue comes from interest earnings. Source: U.S. Bureau of the Census, <i>State and Local Government Finances</i> .							



Tax Policy Center
Urban Institute and Brookings Institution

The Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution, provides independent, timely, and accessible analysis of current and emerging tax policy issues for the public, journalists, policymakers, and academic researchers. For more tax facts, see <http://www.taxpolicycenter.org/taxfacts>.