

from the Tax Policy Center

State and Local Revenues

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State and local revenues have been relatively stable over the last 30 years, growing from 13.5 percent of GDP in 1972 to 16.3 percent in 2005. 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. Much of this decline occurred in the 1970s. The decline was largely offset by state and local governments' heavier reliance on charges and miscellaneous revenue, which together increased from 16 percent to 24 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 14 percent in 2001 at the end of the 1990s boom. General and select sales taxes declined slightly from 22 percent to 19 percent of revenues.

These relatively stable patterns mask significant differences in revenue 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 2005. In 2005 property taxes made up more than one-third of general revenues in New Hampshire and less than 7 percent of revenues in Alabama and New Mexico. Seven states had no personal income tax, while Maryland and Oregon raised more than one-fifth of their revenues from personal income taxes. Similarly, four states did not levy general sales taxes in 2005, while five states received more than 20 percent of revenues from this source. Alabama, Iowa, South Carolina, and Utah raised more than 20 percent of revenues from charges, while Alaska raised more than one-third of its revenues from miscellaneous revenue sources. Mississippi, Washington, D.C., and Wyoming received more than one-third of their revenues from the federal government.

Sources of State and Local Revenue, Selected Years, 1972-2005

	1972	1977	1982	1987	1992	1997	2002	2004	2005
General Revenue as Percent of GDP	13.5	14.0	14.1	14.5	15.4	15.5	16.1	16.2	16.3
Real Per Capita Revenue (2005 \$)	3,737	4,184	3,989	4,863	5,304	5,749	6,351	6,653	6,816
Percentage Composition									
General Revenue	100.0	100.0	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	77.5	78.3
Total Taxes	65.4	61.7	58.2	58.9	57.2	56.5	53.7	53.5	54.3
Property Tax	25.6	21.9	17.9	17.6	18.4	17.0	16.6	16.8	16.6
General Sales Tax	12.1	12.8	13.2	14.1	13.5	13.8	13.2	13.0	13.0
Select Sales Tax	10.2	8.5	7.2	6.9	6.7	6.4	6.0	6.1	6.0
Individual Income Tax	9.1	10.3	11.1	12.2	11.8	12.3	12.0	11.4	11.9
Corporate Net Income Tax	2.6	3.2	3.3	3.3	2.4	2.6	1.7	1.8	2.1
Other Taxes	5.7	5.0	5.5	4.8	4.3	4.3	4.2	4.4	4.6
Charges for Services	11.3	10.9	12.4	12.7	14.1	14.8	15.0	15.3	15.3
Miscellaneous General Revenue ^a	4.6	5.5	10.3	11.6	10.4	9.7	9.9	8.7	8.8
Transfers From Federal Government	18.7	21.9	19.1	16.7	18.3	19.0	21.4	22.5	21.7

^aMiscellaneous 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, *State and Local Government Finances*.



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