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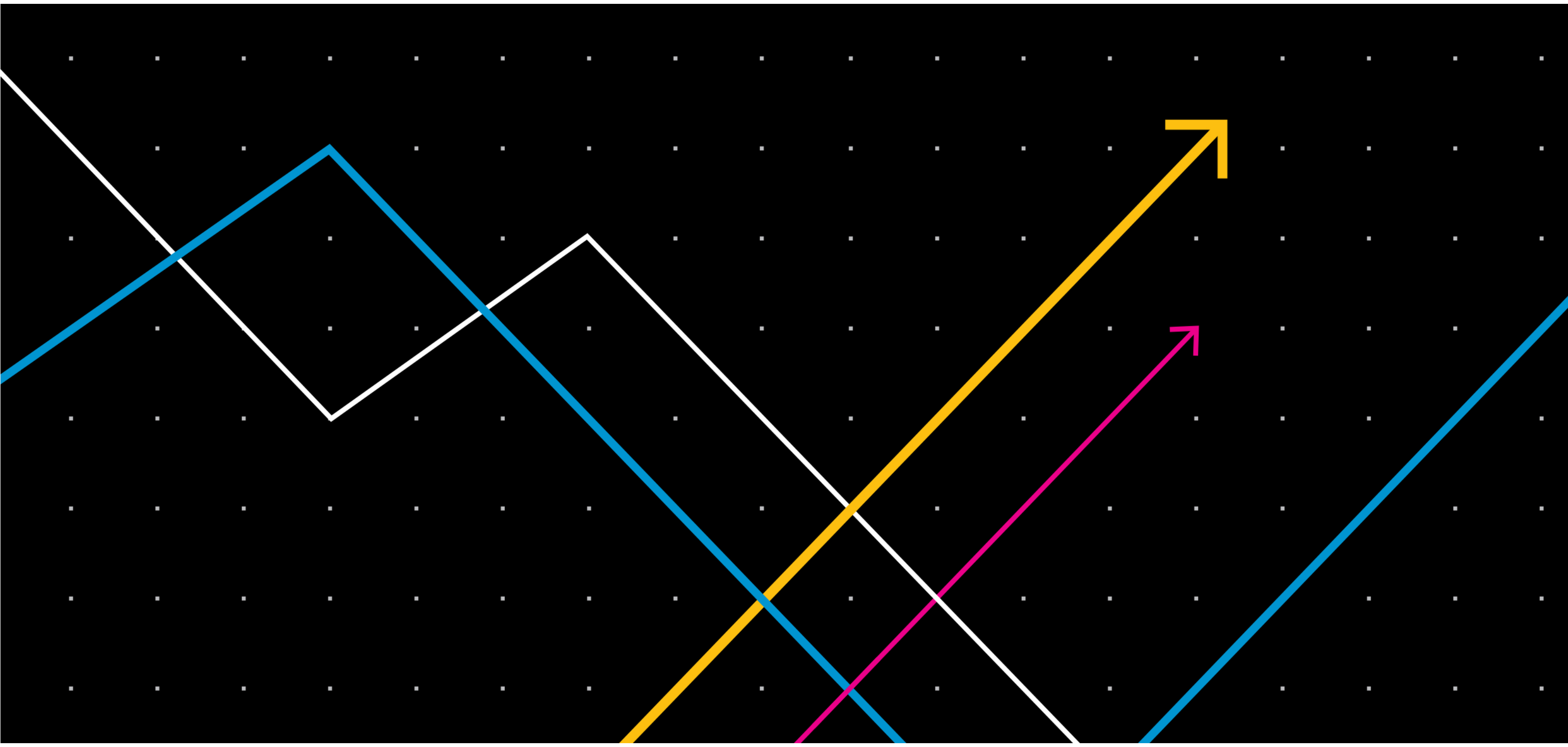

RESEARCH REPORT

State Tax Revenues Declined in the First Quarter of 2023

State Tax and Economic Review, 2023 Quarter 1

Lucy Dadayan

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Executive Summary

- **State and local government tax revenues** from major sources—personal income, corporate income, sales, and property taxes—declined 4.0 percent in nominal terms and 8.9 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022.[1]
- **State government tax revenues** from major sources declined 10.0 percent in nominal terms and 14.5 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022. The decline is in sharp contrast to gains experienced in the first half of 2022.
  - **State personal income tax revenues** declined 18.4 percent in nominal terms and 22.5 percent in real terms in the first quarter of 2023 compared with the first quarter of 2022. Personal income tax revenues have shown extreme volatility in recent quarters, in part because of COVID-19-pandemic-related federal and state policies (including changes in income tax filing deadlines) as well as changes in investor behavior based on expected if not actual changes in federal tax policy and continued volatility and weakness in the stock market.
  - **State corporate income tax revenues** declined 25.4 percent in nominal terms and 29.2 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022. This decline is in sharp contrast to strong corporate income tax revenue growth observed throughout 2022. However, this earlier growth was in part a recategorization of revenues due to some states introducing an elective pass-through entity tax.
  - **State sales tax revenues** increased 6.1 percent in nominal terms and 0.7 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022. The growth in sales tax revenues has weakened substantially compared to double-digit growth observed throughout fiscal year 2022, which was largely related to high inflation. The weakness in sales tax revenues reflects consumers shifting consumption patterns as well increased spending on services.
- **Local government tax revenues** from major sources increased 4.4 percent in nominal terms but declined 0.9 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022.
  - **Local property tax revenues**, the largest source for local government revenues, increased 4.9 percent in nominal terms but declined 0.4 percent in real terms in the first quarter of 2023 compared with the first quarter of 2022. Overall local property

tax revenues weakened substantially in the past two years, likely reflecting the COVID-19 pandemic's negative impact on commercial property values.

- **Preliminary data for the second quarter of 2023** indicate further declines in overall state tax revenue collections, largely driven by steep declines in personal income tax revenues. The declines in personal income tax revenues were expected given a weaker stock market and state policy actions that included tax rate cuts and rebate payments. Total state tax revenues declined 14.2 percent in nominal terms and 17.2 percent in real terms in the second quarter of 2023 compared with the same period in 2022. Year-over-year growth in major state tax revenues in the second quarter of 2023 was as follows:
  - **State personal income tax** collections declined 28.7 percent in nominal terms and 31.2 percent in real terms.
  - **State corporate income tax** collections declined 10.1 percent in nominal terms and 13.2 percent in real terms.
  - **State sales tax** collections grew 2.0 percent in nominal terms but declined 1.6 percent in real terms.
- **Economic factors** that drive revenue growth largely remained positive in the first quarter of 2023 compared with the same quarter in 2022.
  - Year-over-year growth in real **gross domestic product** (GDP) was 1.8 percent for the first quarter of 2023.
  - The seasonally adjusted **unemployment rate** was 3.5 percent in the first quarter of 2023. While the unemployment rate is low, it masks large variations across geographic areas and different groups of workers.
  - Seasonally adjusted nationwide **employment** increased 3.0 percent in the first quarter of 2023 compared with the same quarter in 2022, but in 13 states employment was still below levels observed in the first quarter of 2019.
  - **House prices** increased 8.1 percent in nominal terms and 2.6 percent in real terms for the first quarter of 2023 compared with a year earlier. Fifteen states reported year-over-year double-digit nominal growth in house prices in the first quarter of 2023.
  - Real **personal consumption expenditures** increased 1.9 percent for the first quarter of 2023 compared with the same quarter in 2022. Growth in real personal consumption spending was largely driven by the growth in spending on (often non-taxed) services, which comprised about two-thirds of total personal consumption spending. In contrast, inflation-adjusted spending on goods declined year-over-year in the first quarter of 2023.

Trends in State and Local Revenues

State and local tax revenues continue to reflect effects of the COVID-19 pandemic and policy responses. The federal government injected trillions of dollars into the economy, which helped consumers and businesses as well as state and local governments weather the pandemic. The stimulus package also may have contributed to a period of elevated inflation. One outcome of both the unprecedented stimulus aid and high inflation was a substantial increase in state and local government revenues (in nominal terms).

In 2022, many states used excess revenues to issue rebate checks to help consumers weather increases in prices. Rebate types, amounts, timing, and qualification criteria varied significantly across the states. Some states (e.g., Delaware) issued income tax rebates, others (e.g., New York) issued property tax rebates, and a few (e.g., Illinois) issued both income and property tax rebates. Some states issued rebates in one payment (e.g., Hawaii), while others issued in multiple payments (e.g., New Mexico). Some states (e.g., Virginia) issued rebates regardless of income level, while others (e.g., California) issued rebates based on income, tax-filing status or household size and composition.

Although most states saw robust revenue growth in fiscal years 2021 and 2022, growth weakened substantially in fiscal year 2023. The unusually strong budget surpluses seen in fiscal years 2021 and 2022 will not be repeated this budget cycle. States' longer-term fiscal outlooks remain uncertain because of persistently high inflation, volatility in financial markets, higher interest rates, changes in consumption patterns, declining labor participation rates, and weakening in commercial and house prices. Furthermore, postpandemic shifts in consumer behavior (e.g., permanent remote work) as well as states' policy choices (e.g., cutting tax rates) will have a significant impact on state and local budgets.

Table 1 shows real state and local government tax revenues from major sources for the first quarter of 2022 and the first quarter of 2023 as well as the real percentage change between both quarters and the average quarterly year-over-year real growth in the prior four quarters. We present real growth rates to illustrate the impact of inflation on state and local government revenues and how state and local purchasing power may have changed.

Major findings include the following:

- **State and local government tax revenues** from major sources declined 8.9 percent in real terms in the first quarter of 2023 compared with a year earlier. Average quarterly year-over-year real growth was 2.6 percent in the prior four quarters.
- **State government tax revenues** from major sources declined 14.5 percent in real terms in the first quarter of 2023 relative to a year earlier. The average quarterly year-over-year real growth rate was 4.8 percent for the prior four quarters. **State personal income tax** revenues

declined 22.5 percent in real terms in the first quarter of 2023 compared with the first quarter of 2022. Average quarterly year-over-year real growth was 0.7 percent for the prior four quarters. Inflation-adjusted **state corporate income tax** revenues declined 29.2 percent for the first quarter of 2023 compared with a year earlier. This decline is in comparison to a stronger base. Average quarterly year-over-year real growth was 35.7 percent for the prior four quarters. (This strong growth is largely attributable to the introduction of elective pass-through entity taxes in several states.) **State sales tax** revenues increased 0.7 percent in the first quarter of 2023 compared with the first quarter of 2022. Average quarterly year-over-year real growth was 4.0 percent for the prior four quarters.

- **Local government tax revenue** from major sources declined 0.9 percent in real terms for the first quarter of 2023 compared with the first quarter of 2022. The average quarterly year-over-year real growth rate was negative 0.8 percent for the prior four quarters. **Local property taxes**, the single largest source of local government tax revenues, declined 0.4 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022. The average quarterly year-over-year real growth rate was negative 2.0 percent for the prior four quarters. **Local sales taxes** increased 1.3 percent in real terms for the first quarter of 2023 compared with a year earlier. **Local personal income taxes** decreased 10.7 percent and **local corporate income taxes** decreased 6.7 percent in real terms in the first quarter of 2023 compared with the same quarter of 2022, but these constitute relatively small shares of local revenues (less than 10 percent in a typical quarter) and are concentrated in a few states.

TABLE 1

State and Local Government Tax Revenue Trends

Millions of dollars, adjusted for inflation

Tax source	2022 Q1	2023 Q1	YOY percent change	Average quarterly YOY growth rate, prior four quarters (%)
Total state and local major taxes	**$517,556**	**$471,544**	**(8.9)**	**2.6**
State major taxes	***$302,996***	***$258,966***	***(14.5)***	***4.8***
Personal income tax	158,254	122,677	(22.5)	0.7
Corporate income tax	31,340	22,199	(29.2)	35.7
Sales tax	107,699	108,483	0.7	4.0
Property tax	5,703	5,607	(1.7)	1.5
Local major taxes	***$214,560***	***$212,578***	***(0.9)***	***(0.8)***
Personal income tax	13,052	11,659	(10.7)	2.2
Corporate income tax	3,655	3,410	(6.7)	(0.9)
Sales tax	29,145	29,517	1.3	4.1
Property tax	168,708	167,992	(0.4)	(2.0)

Source: US Census Bureau (tax revenue), with adjustments by the author.

Notes: Q = quarter; YOY = year-over-year.

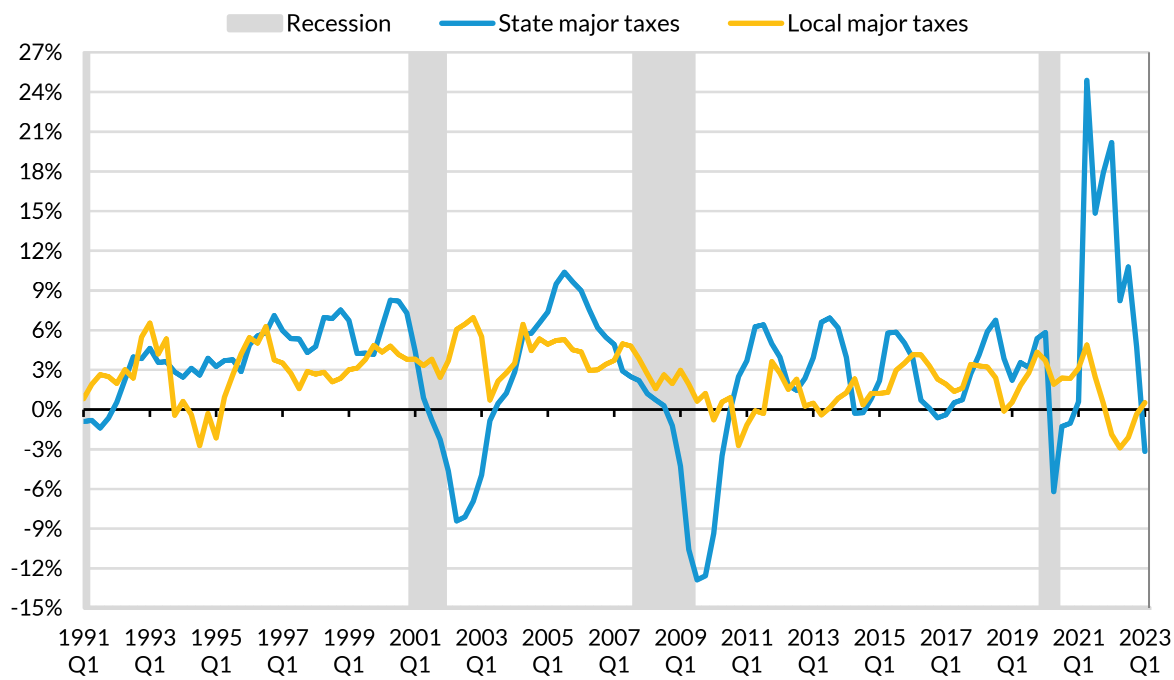
Figure 1 shows the year-over-year percentage change in the four-quarter moving average of inflation-adjusted state and local revenue collections from major sources: personal income tax, corporate income tax, sales tax, and property tax. The four-quarter moving average helps smooth responses to economic and policy changes, such as changing income tax filing deadlines. State tax revenues from major sources decreased 3.2 percent in the first quarter of 2023 by this measure.

Local tax revenues were resilient through most of the COVID-19 pandemic mostly because of a strong housing market and solid growth in residential property tax revenues. However, local tax revenues have weakened substantially and face uncertainty as housing markets weaken in response to higher mortgage interest rates and as commercial property values continue to decline and rental leases come up for renewal. Looking at only the first quarter of 2023, the four-quarter moving average of inflation-adjusted local tax revenues from major sources showed a 0.5 percent increase.

FIGURE 1

State Major Tax Revenues Declined in First Quarter of 2023

Year-over-year inflation-adjusted percentage change in state and local taxes from major sources



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Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP), analysis by the author.
Notes: Year-over-year change is the percentage change of four-quarter moving averages. Data are adjusted for inflation. Data are for four major tax categories only: personal income, corporate income, general sales, and property.

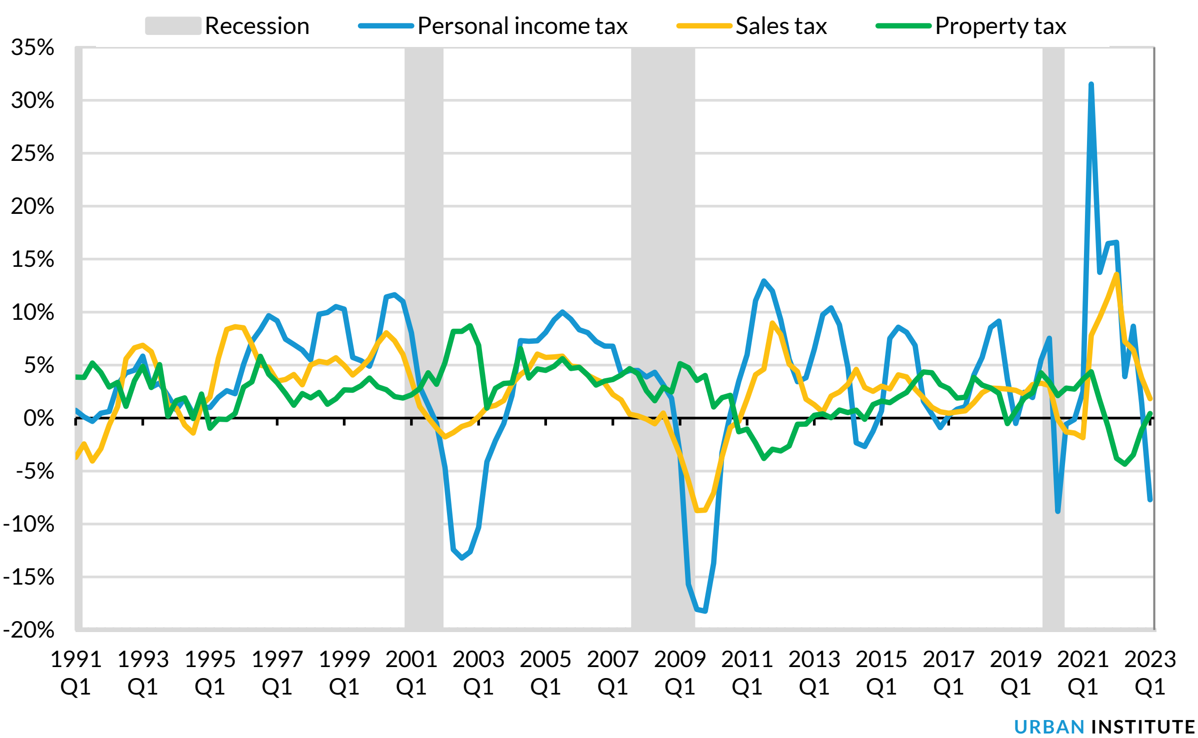
Most local governments rely heavily on property taxes, which tend to respond relatively slowly to changes in property values. However, in many places, the pandemic caused declines in the value of commercial properties (such as hotels, retailers, and offices) that have led to lower commercial property tax assessments. These declines in commercial property values have had a negative impact on overall local property tax revenues despite soaring residential property values observed throughout fiscal years 2021 and 2022. These trends could lead to ongoing vulnerability for some local governments. In addition, because the Federal Reserve Board had substantially increased interest rates to counter inflation, mortgage costs are increasing. These changes in borrowing costs have led to a cooling in housing prices in some markets, which in turn can be expected to weaken future residential property tax revenues.

Figure 2 breaks out inflation-adjusted state and local personal income, sales, and property tax revenues. Real state and local personal income tax revenues decreased 7.7 percent in the first quarter of 2023 compared with the same quarter of 2022, using the four-quarter moving average. Real state and local sales tax revenues increased 1.8 percent and real state and local property taxes, the majority of which are collected by local governments, increased by 0.4 percent for the first quarter of 2023 compared with a year earlier.

FIGURE 2

State and Local Personal Income Tax Revenues Declined Steeply in First Quarter of 2023

Year-over-year inflation-adjusted percentage change in major state-local taxes



Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP), analysis by the author.

Notes: Year-over-year change is the percentage change of four-quarter moving averages. Data are adjusted for inflation.

State Tax Revenues in the First Quarter of 2023

Total state government tax revenue collections declined 6.8 percent in nominal terms and 11.5 percent in real terms in the first quarter of 2023 relative to a year earlier, according to US Census Bureau data adjusted by the author (table A1).[2] Personal income tax revenues declined 22.5 percent and corporate income tax revenues declined 29.2 percent in real terms in the first quarter of 2023 compared with the same quarter in 2022. Inflation-adjusted sales tax collections increased 0.7 percent while motor fuel tax collections declined 4.4 percent in the first quarter of 2023 relative to a year earlier.

Table A1 shows (1) nominal and inflation-adjusted growth in state government tax revenue collections from major sources and (2) average quarterly year-over-year growth since the first quarter of 2022. The average quarterly year-over-year growth rate in overall state tax revenue collections since the first quarter of 2022 was 7.9 percent in nominal terms and 1.1 percent in real terms.

Variations existed across regions and states for the first quarter of 2023 (table A2). The Far West, Mideast, and New England regions reported year-over-year declines while the rest of the regions reported year-over-year growth in nominal state tax revenue collections. The Southwest region reported the largest growth at 7.5 percent while the Great Lakes region reported the weakest growth at 0.2 percent.[3] Total state tax revenues declined 25.6 percent in the Far West region, 4.9 percent in the Mideast region, and 1.5 percent in the New England region, largely driven by declines in income tax revenues in some large states (California, Massachusetts, New Jersey, and New York) in each region.

Thirty-seven states reported year-over-year nominal growth in total state tax revenue collections for the first quarter of 2023, with four states reporting double-digit growth. The largest growth was found in Wyoming and New Mexico, where total state tax revenues increased 34.7 and 21.2 percent, respectively. Both New Mexico and Wyoming have high reliance on the oil industry and the strong revenues growth in both states is largely attributable to high oil prices. State tax revenues declined in 13 states, mostly because of declines in income tax revenues. The largest revenue drop was in California and New York, where total states tax revenues declined 32.9 and 11.1 percent, respectively.

Overall growth in state tax revenues weakened substantially in fiscal year 2023, which contrasts with the strong growth observed in fiscal year 2022. The boost in state tax revenues in fiscal year 2022 was driven by the following factors: the robust stock market observed throughout 2021, the record number of initial public offerings in 2021, the high inflation rate, the boost in spending on taxable goods caused by the COVID-19 pandemic, and the expectation of potential (if unrealized) federal tax hikes (Dadayan 2022a).

State total tax revenues declined 0.4 percent in the first three quarters of fiscal year 2023, compared with the same period in fiscal year 2022, but this in part reflects the weakness in revenues in

California and New York; the median state reported growth of 5.2 percent (table A3). State tax revenues increased in 48 states over that nine-month period, ranging from a 0.1 percent increase in Massachusetts to an 82.0 percent increase in Alaska. Two states—California and New York—reported year-over-year declines in state tax revenues in the first three quarters of fiscal year 2023.

In recent months, several states have enacted a pass-through entity tax, bringing the number of states with this option to 30 (Dadayan and Buhl 2023). This is in part a workaround to the 2017 Tax Cuts and Jobs Act's $10,000 cap on the federal individual income tax deduction for state and local taxes because state and local taxes are fully deductible as a business expense in calculating business earnings for determining federal tax liability. In general, pass-through entity taxes enable some taxpayers to reduce their federal taxable liability by paying taxes at the entity rather than the individual owner level.

Table A7 lists all states that enacted a pass-through entity tax and their respective effective dates. State pass-through entity tax structures and rules vary widely, which can lead to complications, especially for businesses operating across state lines. States also vary in how they categorize pass-through entity taxes. Some states count these taxes as corporate income taxes (as a business is paying the tax), while other states count them as personal income taxes (as it replaces what had been pass-through income), and very few states count them toward both personal income and corporate income taxes.

Personal Income Taxes

State personal income tax revenues declined 18.4 percent in nominal terms and 22.5 percent in real terms in the first quarter of 2023 compared with the same period in 2022. The median state reported a decline of 2.9 percent in nominal terms. The average quarterly year-over-year growth rate in state personal income tax collections since the first quarter of 2022 was 2.5 percent in nominal terms and negative 3.9 percent in real terms (table A1).

Declines in personal income tax collections were widespread; all regions reported declines in the first quarter of 2023 compared with the same period in 2022 (table A2). The Rocky Mountain and Southwest regions saw the steepest year-over-year decline, at 38.9 and 27.0 percent, respectively.

Thirty states reported year-over-year declines in personal income tax revenues in the first quarter of 2023, with nine states reporting double-digit declines. The widespread declines in personal income tax revenues were largely expected and are in part because of state tax cuts and declines in the stock market.

State personal income tax revenues declined 9.8 percent in the first three quarters of fiscal year 2023, compared with the same period a year earlier (table A3). This decline was largely driven by steep declines in California and New York; the median state reported year-over-year growth of 2.8 percent over that nine-month period. State personal income tax revenues increased in 27 states and declined in 15 states over that nine-month period, ranging from a 27.1 percent decline in California to an 18.0 percent increase in Utah.

To get a clearer picture of the underlying trends in personal income tax collections, we examine trends in the four major components: withholding, quarterly estimated payments, final payments, and refunds. The US Census Bureau does not collect data on the individual components of personal income tax collections. The data presented here were collected by the author directly from the states.

Table 2 shows the growth for each major component of personal income tax collections in the past seven quarters. Delayed income tax filing due dates led to wild fluctuations in nonwithholding income tax revenues during the COVID-19 pandemic. The large swings observed in recent quarters highlight variance related to the deferral of tax filing deadlines. Income taxes have also become more volatile because a large share of income is generated from nonwage activities. Thus, increasing swings in the stock market, coupled with taxpayer decisions on when to realize capital gains and losses, have contributed to increased personal income tax volatility.

TABLE 2

Growth in State Government Personal Income Tax Components

Year-over-year nominal percentage change

Personal income tax components	Fiscal Year 2022				Fiscal Year 2023		
	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Withholding	12.1	15.4	12.9	7.5	3.1	(0.6)	0.3
Estimated payments	(34.2)	33.7	16.4	(5.8)	(18.3)	(16.2)	(44.6)
Final payments	(80.9)	44.6	45.1	40.8	22.8	55.0	(1.0)
Refunds	(39.4)	20.7	12.1	12.7	78.5	96.9	28.3
Total	**(17.5)**	**19.0**	**17.7**	**13.9**	**(1.5)**	**(6.0)**	**(18.5)**

Source: Individual state data, analysis by the author.

Notes: Q = quarter. The percentage changes for total personal income tax differ from data reported by the US Census Bureau.

Personal income tax collections declined steeply in the second quarter of 2020 and soared in the third quarter of 2020, largely caused by delayed income tax due dates. That pattern reversed in 2021, resulting in dramatic year-over-year growth in the second quarter of 2021 followed by declines in the third quarter of 2021. Year-over-year growth was strong in the first and second quarters of 2022, largely related to elevated inflation, which led to bracket creep in some states. However, personal income tax revenues declined in the third and fourth quarters of 2022 as well as in the first quarter of 2023, largely because of stock market volatility. In addition, the declines are also partially because of newly enacted pass-through entity taxes that shifted revenues from personal income taxes to corporate income taxes. Finally, weakness in personal income tax revenues was also caused by personal income tax rate cuts in several states.

Withholding

Withholding is usually a good indicator of the current strength of personal income tax revenue and the economy because it comes largely from current wages and salaries and is less volatile than estimated payments or final settlements. However, bonuses and stock options received by employees are also subject to withholding and can have a significant impact on withholding growth rates.

Table A4 shows year-over-year nominal growth in withholding for the past seven quarters for all states with a broad-based personal income tax. Before the pandemic, growth in withholding was solid and was not subject to large swings. However, withholding declined early in the pandemic because of the initial reaction to economic disruptions, including mass layoffs and furloughs. The employment situation quickly improved over the last two years, which also led to an improvement in withholding tax collections. Further, the strong growth in average wages as well as people moving to higher-paying jobs led to stronger withholding tax revenue collections in state fiscal year 2022. Finally, heightened inflation also contributed to the stronger growth in withholding, particularly in states that have progressive income tax structures but do not adjust their tax brackets for inflation.

After exceptionally strong growth observed throughout fiscal year 2022, withholding tax collections weakened substantially in the first three quarters of fiscal year 2023. Year-over-year growth in withholding was 0.3 percent in nominal terms and negative 4.7 percent in real terms in the first quarter of 2023. All regions but the Mideast and the Southwest showed year-over-year growth in withholding in nominal terms in the first quarter of 2023. The New England region reported the strongest year-over-year growth in the first quarter of 2023 at 4.1 percent, while the Mideast and Southwest regions reported declines of 1.6 and 1.1 percent, respectively.

Twenty-nine of 41 states that levy tax on personal income reported growth in withholding in the first quarter of 2023 compared with a year earlier, with three states reporting double-digit growth. Growth rates ranged from 0.7 percent in North Carolina to 15.1 percent in Connecticut. Twelve states reported year-over-year declines in withholding in the first quarter of 2023, with the largest declines found in Arizona (9.4 percent) and Arkansas (8.3 percent), largely caused by the income tax rate cuts.

Figure 3 shows monthly and fiscal year-to-date nominal growth rates in withholding between July 2022 and May 2023, which corresponds to the first 11 months of state fiscal year 2023 in 46 states.[4]

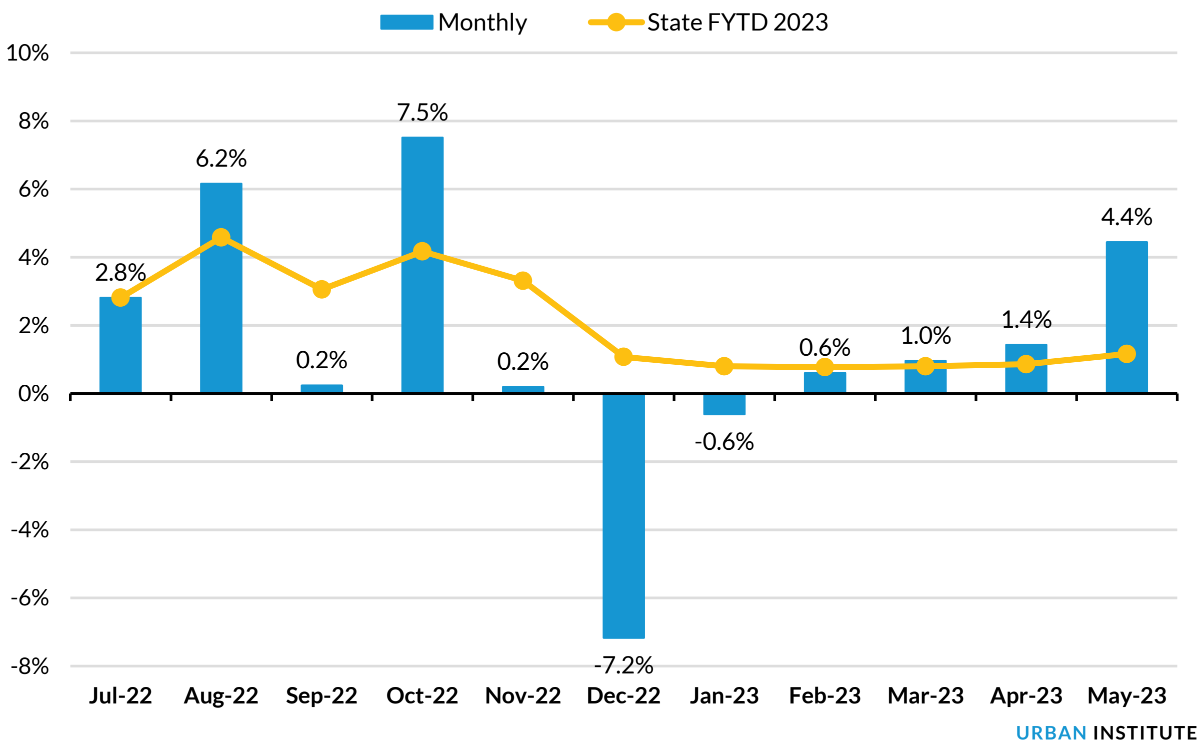
Monthly data should be viewed with caution because they may include one-time payments or a given month may have fewer tax processing days than the same month in the prior year.

Withholding showed large volatility in the first 11 months of state fiscal year 2023, showing solid year-over-year growth in the months of August 2022 and October 2022 and weakness or declines in the rest of the months. Growth in withholding for the first 11 months of state fiscal year 2023 was 1.2 percent in nominal terms and negative 5.2 percent in real terms. All states but Arkansas, Arizona, California, Louisiana, New York, and Wisconsin reported year-over-year growth in withholding tax revenues in the first 11 months of state fiscal year 2023. Arizona, Arkansas, Louisiana, New York, and Wisconsin all had cut personal income tax rates for tax year 2022, which was the main reason for declines in their withholding. Declines in California were largely caused by the sharp dropoff in salary bonuses and in initial public offerings activity.[5]

FIGURE 3

Withholding Weakened Substantially in Recent Months

Nominal year-over-year percentage change in withholding tax collections, monthly and fiscal year to date



Source: Individual state government agencies, analysis by the author.

Notes: FYTD = fiscal year to date.

Estimated Payments

Higher-income taxpayers (and self-employed taxpayers) make estimated tax payments (also known as declarations) on their income not subject to withholding. This income often comes from investments, such as capital gains realized in the stock market, or from self-employment or business income. Estimated payments normally represent less than a quarter of overall income tax revenues, but because of their volatility, they can have a large impact on the direction of overall collections.

The first estimated payment for each tax year is typically due in April in most states; the second, third, and fourth payments are generally due in June, September, and January, respectively (although many high-income taxpayers make the last estimated payment in December so that it is deductible on their federal tax return for that tax year rather than the next). In some states, the first estimated payment includes payments with extension requests for income tax returns for the previous tax year and is thus related partly to income received in that previous tax year. Subsequent estimated payments are generally related to income for the current tax year, although that relationship is often quite loose.

As noted, because the first estimated payment contains a combination of payments related to the current and prior tax year, it is not a good indicator of the current strength of the economy. The second, third, and fourth estimated payments are easier to interpret because they are almost always related to the current year, and they can give a real-time look at how the economy and income tax base are doing. Weakness in these payments can reflect weakness in nonwage income, such as that generated by the stock market. However, it can also be "noisy" in the sense that it reflects taxpayers' responses to tax payment rules as well as to expected nonwage income.

Because of unusual changes in income tax filing deadlines in 2020 (extended to July 15) and 2021 (extended to May 17), we present combined data for the April through January period, which largely corresponds to all four estimated payments for a given tax year. In addition, we also present combined data for April and May. Estimated payments showed year-over-year declines of 21.8 percent for the April 2022 through January 2023 period, but the median state reported growth of 7.6 percent. Twenty-four states reported growth in estimated payments during April 2022 through January 2023 period, while 14 states reported declines (table A5).

The largest decline in estimated payments was in California, where estimated payments decreased by $24.4 billion or 52.6 percent in the April 2022 through January 2023 period compared with the same period a year earlier. The steep decline in California is partly caused by the weak stock market but also because of the delayed income tax filing deadline for Californians impacted by winter storms.[6] It is likely that many Californian taxpayers chose to delay their estimated income tax payments.

The picture is more dire for the April through May 2023 period. Historically, April is one of the most important months in those states that have broad-based personal income taxes. Since fiscal year 2009, on average, around 14 percent of personal income taxes were received during this single month. This is mostly because of the income tax filing deadline on April 15, and states receive a segment of estimated tax payments and most of the year's income tax final payments in April. Therefore, the outcome of April income tax collections plays a crucial role in the overall income tax revenue performance of a fiscal year.

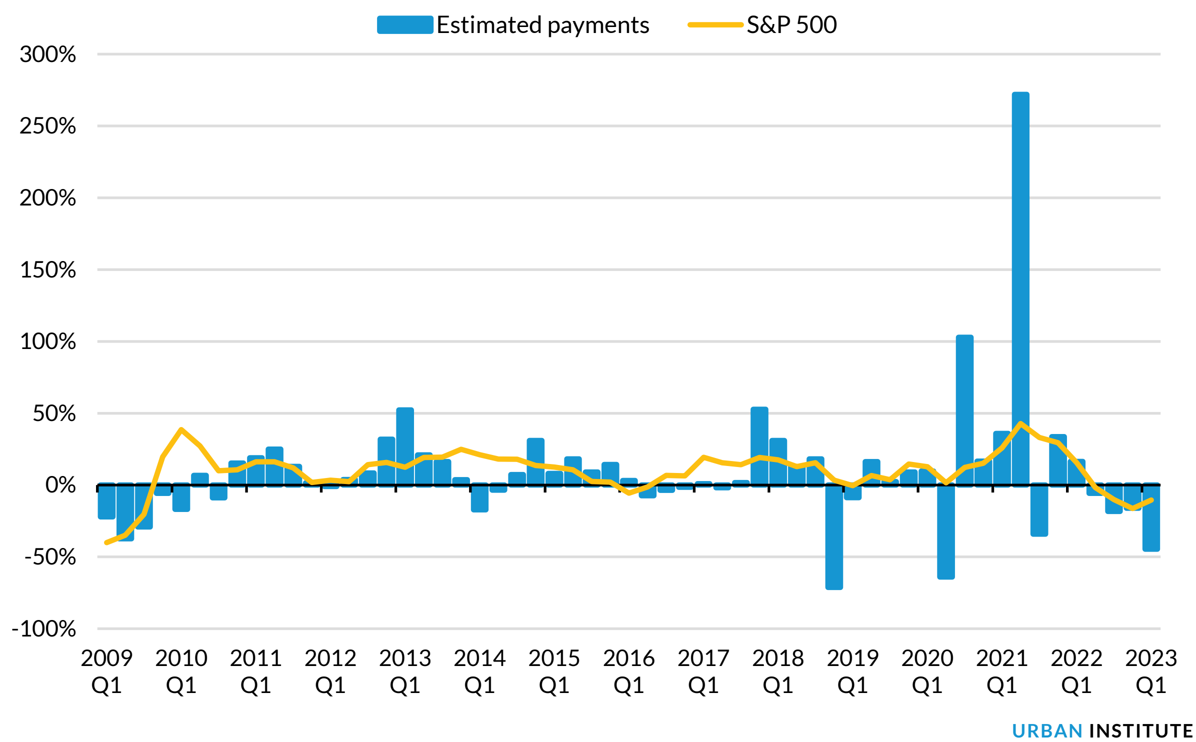
Estimated payments showed year-over-year declines of 44.9 percent for the April through May 2023 period; the median state saw a 31.5 percent decline. Thirty-six states reported year-over-year declines in estimated payments during that period. A substantial decline was anticipated, largely because of the poor stock market performance throughout 2022 and lower capital gain realizations as well as shifts in some partnership income to the entity level.

Figure 4 shows year-over-year quarterly percentage change in estimated payments and S&P 500 Index for the past 14 years. The longer-term trends indicate substantial volatility in estimated payments, which is partially caused by volatility in the stock market as well as by taxpayer responses to actual and expected federal (and state) tax policy changes, which affect timing of the capital gains realizations.

FIGURE 4

Large Volatility in Estimated Payments

Year-over-year nominal percentage change in estimated payments and S&P 500 Index



Source: Individual state government agencies and Yahoo Finance (S&P500), analysis by the author.

Because temporary changes in timing can alter revenue patterns significantly, we strongly encourage relying on combined quarterly numbers and longer-term trends. Year-over-year growth in estimated payments was more in line with the growth in the stock market in 2022. Both estimated payments and the stock market increased in the first quarter of 2022 but declined in the second, third, and fourth quarters of 2022. Both the stock market and estimated payments also declined in the first quarter of 2023. Estimated payments showed a 44.6 percent year-over-year decline in the first quarter of 2023, while the stock market showed a 10.4 percent year-over-year decline.

Final Payments

Final tax payments normally represent a small share of total personal income tax revenues in the first, third, and fourth quarters of the tax year and a much larger share in the second quarter of the tax year because of the April 15 personal income tax filing deadline.[7]

Table A6 shows year-over-year nominal growth rates in final payments for the April through January period for the last three years as well as for the April through May period of the last two years. Year-over-year growth in final payments was robust for April 2022 through January 2023 period, at 41.8 percent. All states but New Mexico reported growth in final payments for April 2022 through January 2023 compared with a year earlier, with 34 states reporting double-digit percentage growth.

Final payments fell sharply, by 40.0 percent, in the months of April and May 2023 compared with the same period in 2022; the median state saw a 34.6 percent decline. Thirty-five states reported year-over-year declines in final payments in the April through May 2023 period. While most states anticipated a drop in personal income tax final payments, the actual year-over-year declines in the April through May period were more severe than anticipated, creating a downward pressure for fiscal year 2023 personal income tax revenues.

Refunds

By definition, personal income tax refunds represent a negative share of personal income tax revenues and usually are a small amount in the third and fourth quarters of the tax year and a much larger negative amount in the first and second quarters of the tax year.

Refund payments increased 28.3 percent in the first quarter of 2023 compared with the same quarter in 2022. In total, states paid out $8.3 billion more in refunds in the first quarter of 2023 than in the same quarter in 2022. Overall, 33 states paid out more in refunds in the first quarter of 2023 than in the first quarter in 2022. These larger amounts in part reflect less tax liability but also include rebates based on income tax filings. Officials in several states used budget surpluses to issue rebate checks to their residents to help offset the high inflation rate and these rebates were classified as income tax refunds in some states. In addition, the increase in refunds is in part because of income tax rate reductions implemented in tax year 2022 in about dozen states.

Actual versus Forecasted Personal Income Tax Revenues

We collect data on actual and forecasted amounts for monthly personal income tax revenue from the states. Monthly personal income tax forecast information is available for 24 states. In table 3, we present data for the first quarter of 2023.

TABLE 3

Actual versus Forecasted State Personal Income Tax Revenues

State	2022 Q1 actual ($ millions)	2023 Q1 actual ($ millions)	2023 Q1 forecast ($ millions)	Percent change, 2023 Q1 vs 2022 Q1	Percentage variance, 2023 Q1 actual from forecast	Forecast date
Median				*-6.0%*	*3.4%*	
Average	*$95,379*	*$70,391*	*$81,813*	*-26.2%*	*-14.0%*	
Arizona	1,279	571	652	(55.4)	(12.6)	Jun-22
Arkansas	864	620	599	(28.2)	3.6	Nov-22
California	42,118	24,165	37,063	(42.6)	(34.8)	May-22
Colorado	2,528	2,155	1,689	(14.7)	27.6	Dec-22
Idaho	499	439	427	(12.1)	2.9	Jul-22
Indiana	1,727	1,546	1,474	(10.5)	4.9	Dec-21
Kansas	1,024	1,021	1,080	(0.3)	(5.5)	Jun-22
Maine	476	485	366	1.9	32.5	Mar-22
Massachusetts	5,650	5,279	5,607	(6.6)	(5.8)	Sep-22
Minnesota	3,944	3,928	3,495	(0.4)	12.4	Nov-22
Mississippi	438	414	339	(5.5)	22.1	Nov-21
Montana	551	502	448	(8.9)	11.9	Jun-22
Nebraska	668	606	686	(9.3)	(11.7)	Oct-22
New Mexico	630	551	534	(12.5)	3.2	Aug-22
New York	21,700	16,657	16,253	(23.2)	2.5	Oct-22
North Dakota	73	91	71	24.1	28.4	Aug-21
Ohio	2,130	2,213	2,049	3.9	8.0	Jul-22
Oklahoma	655	691	542	5.5	27.5	Feb-22
Pennsylvania	4,356	4,523	4,635	3.8	(2.4)	Jun-22
Rhode Island	438	419	431	(4.4)	(2.9)	Nov-22
South Carolina	1,143	684	605	(40.1)	13.1	Nov-22
Vermont	245	239	238	(2.3)	0.3	Jul-22
West Virginia	604	628	511	3.9	22.8	Jan-22
Wisconsin	1,638	1,965	2,019	19.9	(2.7)	Jan-23

Source: Individual state data, analysis by the author.

Actual personal income tax collections in the first quarter of 2023 were higher than forecasted in 16 of 24 states, with an average forecast underestimate of 14.0 percent and a median overestimate of 3.4 percent (table 3). Note that some states regularly update their monthly revenue forecasts, while others prepare monthly revenue forecasts only once a year. Therefore, the variance between actual and forecasted revenues depends on the forecast date.

In addition to the timing of the forecasts, the considerable variance between actual and forecast revenues in recent quarters also reflects the uncertainty generated by current global geopolitical crises, high inflation, federal monetary policy actions, and state fiscal policy actions.

Corporate Income Taxes

Corporate income tax revenues showed strong growth throughout 2022. The picture for corporate income tax revenues was more mixed in the first quarter of 2023. Corporate income tax revenues declined 25.4 percent in nominal terms and 29.2 percent in real terms in the first quarter of 2022 (table A1). This decline was largely driven by steep declines in California, which also delayed its income tax filing deadline to October 2023. If we exclude California, corporate income tax revenues for the rest of the nation increased 10.8 percent. The median state reported an 11.0 percent increase in nominal terms. The average quarterly year-over-year growth rate in state corporate income tax collections since the first quarter of 2022 was 31.1 percent in nominal terms and 22.8 percent in real terms.

State corporate income tax revenue is highly volatile because corporate profits and the timing of tax payments can vary and shift across quarters. Further, most states collect a small share of state revenues from corporate taxes and can therefore experience large fluctuations in percentage terms with little overall budgetary impact.

The Far West, Plains, and Great Lakes regions reported year-over-year declines in state corporate income tax revenue collections in the first quarter of 2023, while the rest of the regions reported growth. The Southeast region saw the strongest increase, at 53.7 percent, followed by the Rocky Mountain region, at 30.5 percent. The Far West region saw the steepest year-over-year decline in corporate income tax revenues, at 61.4 percent driven by steep declines in California.

Twenty-six states reported year-over-year growth in corporate income tax collections, while 19 states reported declines (table A2). The strongest growth in dollar value was in New York, where corporate income tax revenues increased by $0.9 billion, or 50.0 percent, in the first quarter of 2023 compared with the same quarter in 2022. The steepest declines happened in California, where corporate income tax revenues declined by $9.2 billion, or 62.2 percent.

To examine the strength in corporate income tax revenues, we also examined combined collections for the first three quarters of fiscal year 2023. State corporate income tax revenues declined 3.3 percent in the first three quarters of fiscal year 2023 compared with the same period a year earlier; the median state reported growth of 11.0 percent. Thirty-six states reported year-over-year growth over that nine-month period, while nine states reported declines (table A3).

Before the COVID-19 pandemic, states were forecasting lower corporate income tax collections, mostly because of higher costs for business inputs and a weakened global economy (Dadayan 2020b). State corporate income tax revenues, however, showed strong overall growth after the initial shock of the pandemic, thanks in part to federal COVID relief. Now we are seeing a reversal of that trend. According to data from the Bureau of Economic Analysis, US corporate profits declined by $51.5 billion, or 1.8 percent, in the first quarter of 2023 compared with the same quarter of 2022.[8] However, declines in corporate profits were largely attributable to the financial sector which suffered a 22.8 percent year-over-year decline in corporate profits in the first quarter of 2023.

The future of corporate income tax collections remains unpredictable, in part because of the expiration of or changes in various provisions in the TCJA. (See prior *State Tax and Economic Review* reports for discussions of the TCJA provisions and the law's impact on state corporate income taxes.)

General Sales Taxes

State general sales tax collections increased 6.1 percent in nominal terms and 0.7 percent in inflation-adjusted terms for the first quarter of 2023 compared with the same period in 2022 (table A1). Growth in the median state was 7.2 percent in nominal terms. The average quarterly year-over-year growth rate in state general sales tax collections since the first quarter of 2022 was 10.2 percent in nominal terms and 3.4 percent in real terms.

Sales tax collections increased in all regions for the first quarter of 2023 compared with the same period in 2022. The Plains region reported the largest average year-over-year growth at 9.8 percent, while the Far West region reported the smallest average growth at 3.4 percent (table A2).

Forty-four of 45 states with broad-based sales taxes reported year-over-year growth in sales tax collections for the first quarter of 2023, with 7 states reporting double-digit growth. Missouri had the strongest year-over-year growth in sales tax revenues at 28.8 percent, while Pennsylvania had the weakest growth at 0.2 percent. Maryland was the only state to report a year-over-year decline in state sales tax revenues in the first quarter of 2023, at 0.5 percent.

State sales tax revenues were 7.9 percent higher in the first three quarters of fiscal year 2023, compared with the same period a year earlier (table A3). All states reported year-over-year growth over that nine-month period, with 12 states reporting double-digit growth.

Overall growth in sales tax revenues weakened substantially in the fourth quarter of 2022 and the first quarter of 2023. The strong growth in general sales taxes (typically calculated as a percentage of spending as opposed to excise taxes, which are calculated on a per-unit basis) earlier in 2022 was caused in part by price increases from high inflation. However, it appears many consumers have been adjusting their spending habits and reducing their purchases because of persistent high inflation and declines in real wages. In addition, during the pandemic, consumers shifted purchases from services to physical goods, but in recent months spending seems to have returned to prepandemic patterns.

Many state officials have expressed concerns about the sales tax performance over the longer run, especially as consumers shift back to spending more on services, which are largely not subject to sales tax (Dadayan and Rueben 2021). Although some states have expanded their sales tax bases to include some services, many services are still not subject to state sales tax. And some states, such as Arizona and Missouri, have banned taxing services altogether.

Motor Fuel Taxes

After three consecutive quarters of declines, motor fuel tax collections increased 0.7 percent in nominal terms, but declined 4.4 percent in inflation-adjusted terms for the first quarter of 2023 compared with the same period in 2022 (table A1). The median state saw a 0.8 percent year-over-year growth in nominal terms. The average quarterly year-over-year growth rate in state motor fuel tax collections since the first quarter of 2022 was 0.6 percent in nominal terms and negative 5.7 percent in real terms.

Motor fuel tax revenue collections declined in the New England, Southeast, and Rocky Mountain regions and increased in the other regions for the first quarter of 2023 compared with the same period in 2022. The New England region reported the largest decline at 2.5 percent while the Far West region reported the strongest average growth at 3.9 percent.

Nineteen states reported year-over-year declines in motor fuel sales tax collections for the first quarter of 2023; 3 states reported double-digit declines (table A2). The largest year-over-year drop was in Connecticut and Georgia, where motor fuel sales tax collections declined 49.0 and 42.3 percent, respectively. These declines largely reflect the adoption of gas tax holidays in some states.

State motor fuel sales tax revenues declined 2.0 percent in the first three quarters of fiscal year of 2023 compared with the same period in fiscal year 2022; the median state saw 0.4 growth (table A3). Twenty-one states reported year-over-year declines over that nine-month period.

Enacted gas tax holidays were expected to reduce motor fuel revenues by over $2.1 billion.[9] States that enacted gas tax holidays include Connecticut (from April 1, 2022, through December 31, 2022), Florida (for the month of October 2022), Georgia (from March 18, 2022, through January 11, 2023), Maryland (from March 18, 2022, through April 16, 2022), and New York (from June 1, 2022, through

December 31, 2022). In addition, several states (e.g., Colorado, Illinois, and Kentucky) had suspended gas tax increases, which also had a negative impact on motor fuel sales tax revenue collections.

Changing fuel prices, general increases in fuel efficiency, purchases of electric or hybrid vehicles, and changing driving habits all affect gasoline consumption and motor fuel taxes. Changes in state motor fuel tax rates also affect motor fuel sales tax collections. States differ in their motor fuel sales tax structures. In 28 states, motor fuel sales taxes are structured as a fixed cent-per-gallon rate, while in 22 states at least a portion of the motor fuel tax rate is tied to a variable, such as the price of gasoline, inflation, or another metric.[10]

Gas and oil prices have increased substantially in the past year. The high prices are largely benefiting oil-dependent states, at least in the short-term (Dadayan 2022b). The increases in prices were expected to boost motor fuel tax revenues in states with a variable tax rate and that did not enact gas tax holidays or suspend motor fuel tax rate adjustments.

Other Taxes

The US Census Bureau's quarterly data on state tax collections provide detailed information for some smaller revenue sources, including state property taxes, tobacco product excise taxes, alcoholic beverage excise taxes, and motor vehicle and operators' license taxes. In table A8, we show year-over-year growth rates for four-quarter moving average inflation-adjusted revenue for the nation as a whole. In the first quarter of 2023, states collected $73.1 billion from these smaller tax sources, which constituted about 21.5 percent of total state tax collections.

Compared with major tax sources, revenues from smaller state taxes have seen less volatility and have been growing at a slower pace. The four-quarter moving average of inflation-adjusted revenues from smaller state tax sources showed a 2.6 percent increase for the first quarter of 2023 compared with the same quarter in 2022. State property taxes, which represent a small portion of overall state tax revenues, increased 0.7 percent. Tax revenues from tobacco product sales declined 13.2 percent, tax revenues from alcoholic beverage sales declined 3.1 percent, and revenues from motor vehicle and operators' licenses declined 4.9 percent. Finally, revenues from all other smaller tax sources increased 6.0 percent.

Preliminary Review of State Tax Revenues in the Second Quarter of 2023

The Urban Institute regularly collects monthly state tax revenue data for all states. Preliminary data from 45 states show year-over-year declines in nationwide state tax revenue collections in the second quarter of 2023, marking the third quarterly decline in nominal terms. Nominal state tax revenue collections declined 14.2 percent in the second quarter of 2023 compared with the same period in 2022, largely driven by declines in personal income tax revenues. The median state reported decline of 8.3 percent (table A9). State tax revenues increased in 10 states in nominal terms, while 35 states reported year-over-year declines for the second quarter of 2023.

Personal income tax collections saw steep declines, at 28.7 percent in the second quarter of 2023 compared with the same period a year earlier; the median state reported a decline of 20.8 percent in nominal terms. According to preliminary data, 34 states reported year-over-year declines in personal income tax revenues in the second quarter of 2023, with 30 states reporting double-digit declines. Overall, it appears that growth in withholding has moderated, in part because of personal income tax rate cuts in several states. In addition, growth in estimated payments has weakened substantially in recent quarters, indicating that upper-income taxpayers reduced their tax payments in light of stock market declines and lower capital gain realizations.

Year-over-year growth in state corporate income tax revenues was negative 10.1 percent in the second quarter of 2023; growth in the median state was 2.9 percent. Corporate income tax revenues increased in 24 states but declined in 18 states in the second quarter of 2023 compared to the same period a year earlier. The largest decline in dollar value was in California, where corporate income tax revenues decreased by $6.8 billion, or 38.5 percent, in the second quarter of 2023 compared with the same quarter in 2022. The steep decline in California is largely because of delayed payment and filing deadlines for personal and corporate income taxes for Californians in 41 counties that were impacted by winter storms and flooding.

Finally, state general sales tax collections increased 2.0 percent in the second quarter of 2023 compared with the same quarter in 2022; growth in the median state was somewhat higher, at 2.6 percent. Twenty-nine states reported growth in sales tax collections, while 12 states reported declines.

Looking ahead, state tax revenues will likely show continued volatility in the short term because of uncertainties in the economy and because of the implications of both state policy decisions and federal monetary policies.

Previously, we warned that robust revenue growth observed in the last two years was in part because of a temporary boost in select economic drivers, including a soaring stock market, increased capital gains realizations, and a sharp increase in initial public offerings, all of which have substantially weakened in the recent months. Furthermore, several states enacted tax cuts in the past two years (Auxier and Weiner 2023). Depending on their size and structure, these tax cuts could leave some states with budget holes in the coming fiscal years as temporary federal aid funds diminish and the strength of the economy wanes. These tax cuts can also exacerbate the risk of structural deficits, leading states to either reverse earlier tax cuts or raise other taxes or cut funding for services to balance budgets (Lazere 2022).

Factors Driving State Tax Revenues

Tax revenues vary across states and over time because of three underlying factors: state-level changes in the economy (which often differ from national trends), the different ways that national economic changes and trends affect each state's tax system, and legislated changes in tax rates or rules. The next two sections discuss changes in both economic conditions and recently legislated tax changes.

Economic Indicators

Most state tax revenue sources are heavily influenced by the economy. In general, state tax revenues rise when the state economy grows, income taxes grow when resident incomes go up, sales taxes generate more revenue when consumers increase their purchases of taxable items, property taxes increase when house prices go up, and so on. However, the COVID-19 pandemic and both federal and state policy responses have altered many standard revenue and economic trends.

State Gross Domestic Product

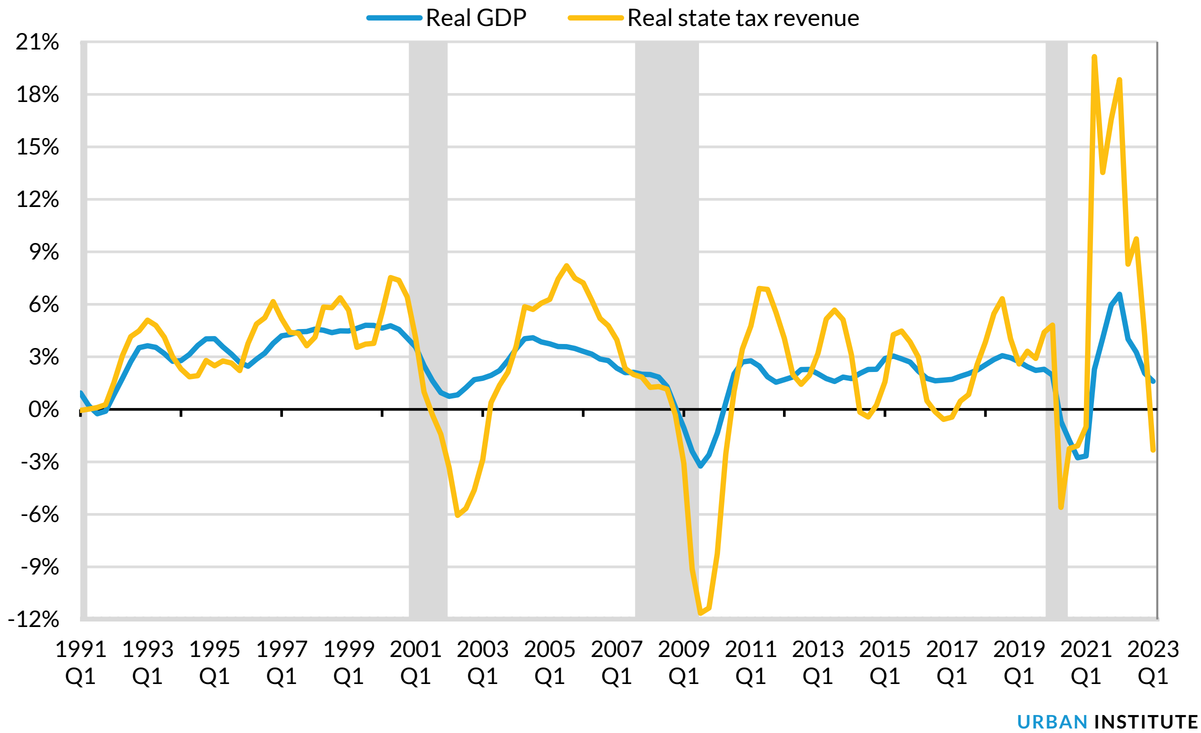
Figure 5 shows year-over-year growth for four-quarter moving averages in real GDP and real state tax revenue. We present moving averages to smooth short-term fluctuations and illustrate the interplay between the state of the economy and state revenues. As shown in figure 5, growth in both real GDP and real state tax revenues weakened substantially in the fourth quarter of 2022 and the first quarter of 2023. Year-over-year growth for the four-quarter moving average was 1.6 percent in real GDP and negative 2.3 percent in real state tax revenues in the first quarter of 2023.

Even excluding the most recent volatility related to the COVID-19 pandemic and government actions, volatility in state tax revenue is not fully explained by changes in real GDP, a broad measure of the economy. State tax revenues became far more volatile in the past two decades, mostly because of changes in state tax rates and states' growing reliance on income taxes, some of which are progressive and dependent on volatile non-wage income sources, such as stock options and capital gains. This was particularly true during the COVID-19 pandemic: the stock market soared despite the real-world turmoil and led to larger capital gains realizations and increases in nonwithholding income tax payments. However, after soaring for two years, the stock market declined in 2022 and the first half of 2023. The average annual change for the S&P 500 index was negative 4.1 percent in calendar year 2022, which is in sharp contrast to average annual growth of 32.8 percent in calendar year 2021.

FIGURE 5

State Tax Revenue Is More Volatile Than the Economy

Year-over-year percentage change in real state taxes and real GDP



Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP), analysis by the author.

Notes: Year-over-year change is the percentage change of four-quarter moving averages. Data are adjusted for inflation.

States vary substantially in correlations between growth rates in real GDP and real state tax revenues. Figure 6 shows for each state the four-quarter moving averages in real GDP and real state tax revenues for the first quarter of 2023 compared with the first quarter in 2022. By this measure, real state GDP increased in 46 states, while real state tax revenues increased in 37 states. The year-over-year change in real state GDP ranged from 4.0 percent in Idaho to negative 1.7 percent in Louisiana; the change in real state tax revenues ranged from 103.9 percent in Alaska to negative 14.9 percent in California. Large swings in Alaska's and other energy-dependent states' revenue collections reflect volatile oil prices (Dadayan and Boyd 2016). In addition, the relationship between economic growth and revenue growth was also impacted by state tax cuts over the last two years.

FIGURE 6

Growth Disparity: State Tax Revenues versus State GDP

Year-over-year percentage change in real state taxes and real GDP, 2023 Q1 versus 2022 Q1

URBAN INSTITUTE

Source: US Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP), analysis by the author.
Notes: Year-over-year change is the percentage change of four-quarter moving averages. Data are adjusted for inflation. Red lines show US averages. Alaska is an outlier and is excluded from the figure.

State Unemployment and Employment

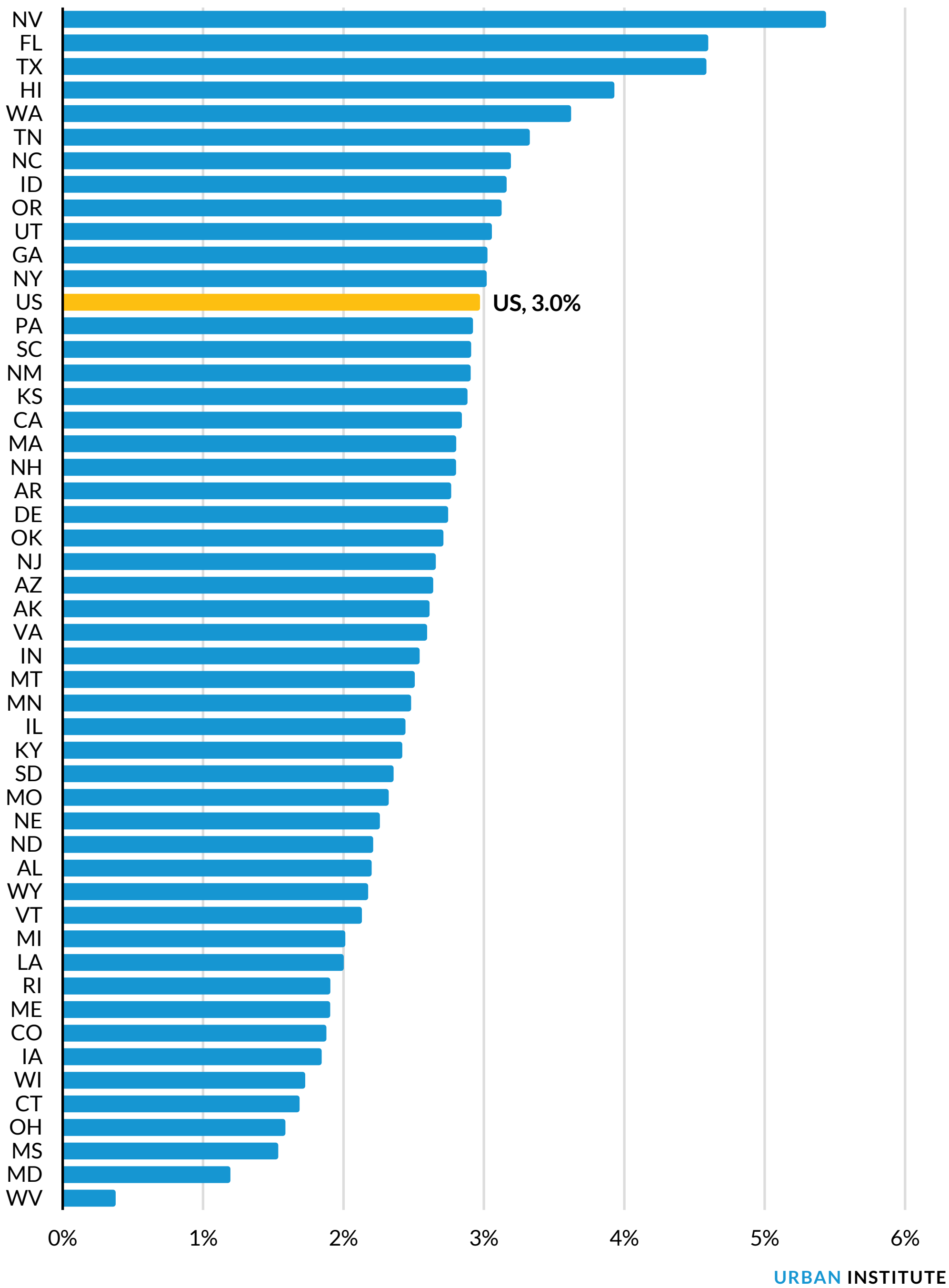
The unemployment rate for the nation averaged 3.5 percent in the first quarter of 2023. Unemployment rates ranged from 2.0 percent in South Dakota to 5.5 percent in Nevada for the first quarter of 2023, although unemployment rates varied for different socioeconomic and demographic groups in each state. According to the latest data, the national unemployment rate remained at 3.5 percent in the second quarter of 2023.

Nationwide employment increased 3.0 percent in the first quarter of 2023 compared with the same quarter in 2022 (figure 7). All 50 states reported growth in employment in the first quarter of 2023 compared with the first quarter of 2022, but at the same time, 13 states reported lower employment compared with the first quarter of 2019. Year-over-year growth in employment ranged from 0.4 percent in West Virginia to 5.4 percent in Nevada for the first quarter of 2023.

FIGURE 7

Employment Saw Solid Growth in the First Quarter of 2023

Year-over-year percentage change in employment, 2023 Q1 versus 2022 Q1



Source: Bureau of Labor Statistics, analysis by the author.

Notes: Year-over-year change is the percentage change of seasonally adjusted employment.

As of June 2023, state and local governments employed around 252,000 fewer people than they did before the COVID-19 pandemic, despite having many vacancies advertised. Early in the pandemic, states and localities cut public-sector jobs to address actual and anticipated budgetary challenges caused by the pandemic or in response to reduced demand. In addition, some government sector workers (especially teachers) retired or did not return to the public sector. Even with federal aid and stronger budgets, many state and local governments have been unable to refill positions, and these early declines have not been fully reversed.

Among private-sector jobs, current employment numbers are now above prepandemic levels, but there are still large variations across different sectors and industries. The share of workers employed declined dramatically for the leisure and hospitality sector, which as of June 2023 employed around 369,000 fewer people than before the COVID-19 pandemic. On the other hand, the job market thrived for the trade, transportation, and utilities sector, which as of June 2023 employed around 1.1 million more people than before the pandemic.

Housing Market

House prices are an important determinant of local property taxes, though changes in property tax revenues often lag property price changes. Assessment lags and assessment caps can affect how quickly house price changes translate into property tax revenue changes. Declines in house prices usually lead to declines in property taxes, while growth in house prices usually leads to growth in property tax revenues.

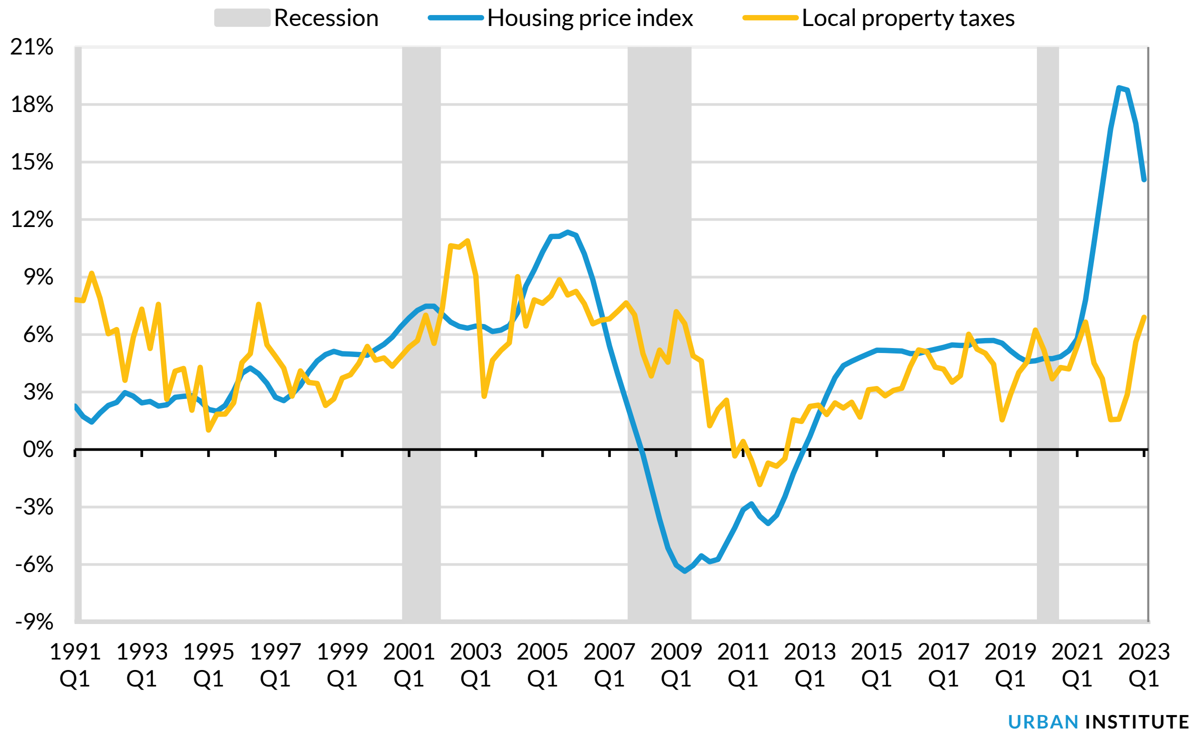
Figure 8 shows year-over-year percentage changes in the four-quarter moving average of the house price index and local property taxes in nominal terms. House prices saw steep declines during the Great Recession, which led to a significant slowdown in local property tax growth and to an actual decline in property tax revenues during state fiscal years 2011 and 2012 (Dadayan 2012). Growth in the house price index began weakening in mid-2005, and the price index declined for five straight years, between the first quarter of 2008 and the fourth quarter of 2012 (though patterns varied across states and regions).

National average house prices showed strong growth during the COVID-19 pandemic and appreciated 14.1 percent for the first quarter of 2023 compared with a year earlier; year-over-year growth in local property taxes was 6.9 percent for the same period, based on four-quarter moving averages. Despite the strength in house prices, local government property tax revenues fluctuated substantially since the pandemic, likely because of declines in commercial property tax revenues caused by the pandemic and the increase in remote work.

FIGURE 8

Housing Prices Skyrocketed During the Pandemic but Growth is Moderating Now

Year-over-year nominal percentage change in house prices versus local property taxes



Sources: US Census Bureau (property taxes) and Federal Housing Finance Agency (house price indexes), analysis by the author.
Notes: Year-over-year change is the percentage change of four-quarter moving averages.

Figure 9 shows year-over-year nominal percentage change in house price indexes in the first quarter of 2023 for all states. Statewide house price indexes increased in all states for the first quarter of 2023 compared with a year earlier, ranging from a 2.0 percent increase in Oregon to a 13.1 percent increase in Florida. Year-over-year growth was 8.1 percent for the nation.

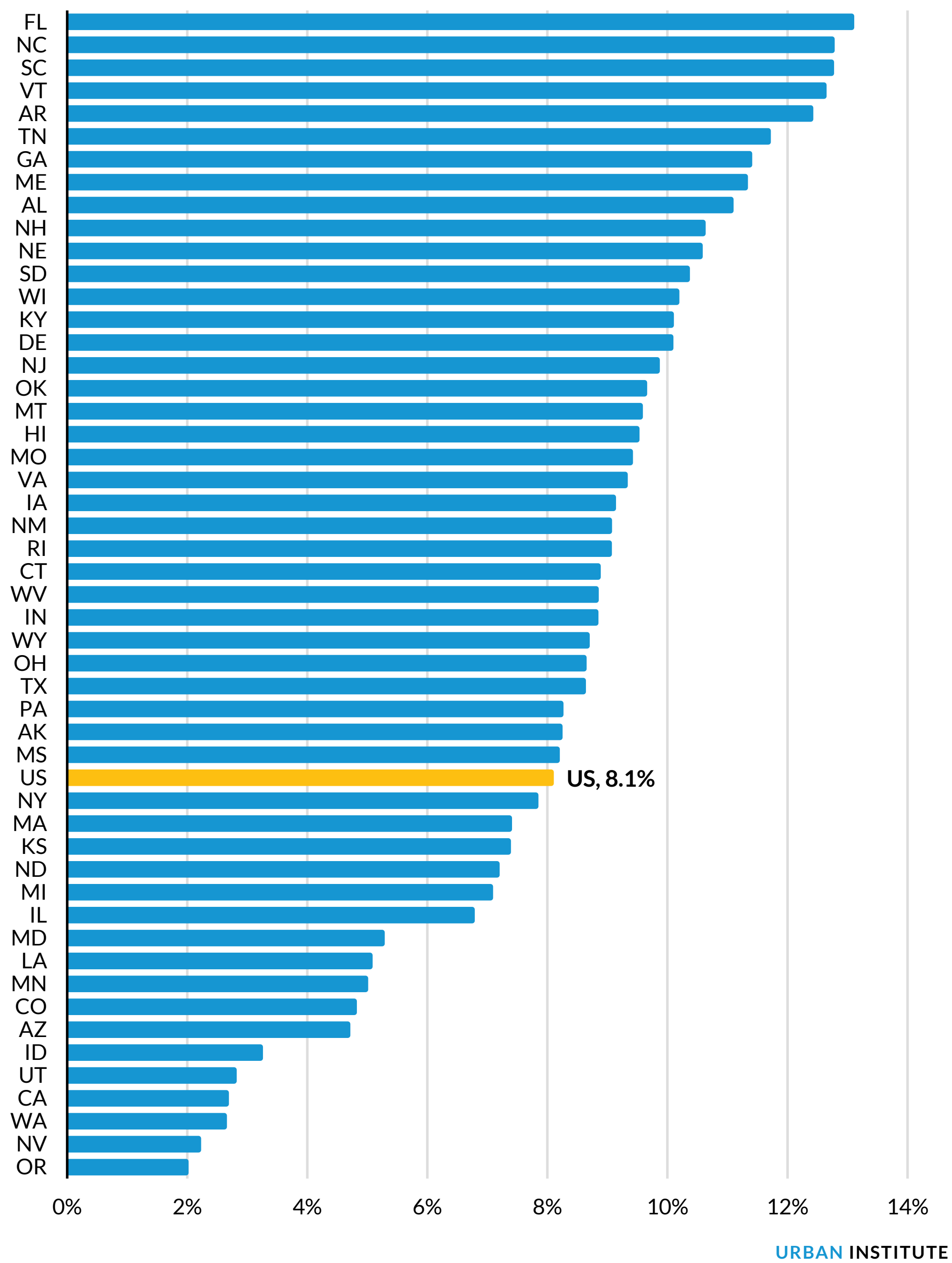
The COVID-19 pandemic generally did not negatively affect residential real estate property values. In fact, housing markets strengthened as demand for new housing outstripped supply in the early months of the pandemic (Duca and Murphy 2021). In contrast, the pandemic's effect on commercial real estate property values, and thus commercial property tax revenues, has been negative and remains uncertain.

Predicting the COVID-19 pandemic's long-term effects on residential real estate and commercial properties is difficult because it is still unclear whether current patterns of remote work will remain even after other aspects of the economy revert to prepandemic trends. In addition, it is also unclear how much the Federal Reserve Board's raising interest rates will continue to affect housing markets. Higher borrowing costs for mortgages have weakened home sales as interest rates increased. We could see a continued weakening in residential property values and associated property taxes, though this could be mitigated if mortgage interest rates stabilize or fall. The future of commercial property values and nonresidential property tax revenues even less clear. As business leases come due, many businesses are rethinking both how much and where office space should be leased, leading to increased commercial property vacancies in many central cities.

FIGURE 9

States Saw Continued Growth in Housing Prices in the First Quarter of 2023

Year-over-year percentage change in house prices, 2023 Q1 versus 2022 Q1



Source: Federal Housing Finance Agency (house price indexes for all transactions, seasonally not adjusted, analysis by the author.

Personal Consumption Expenditures

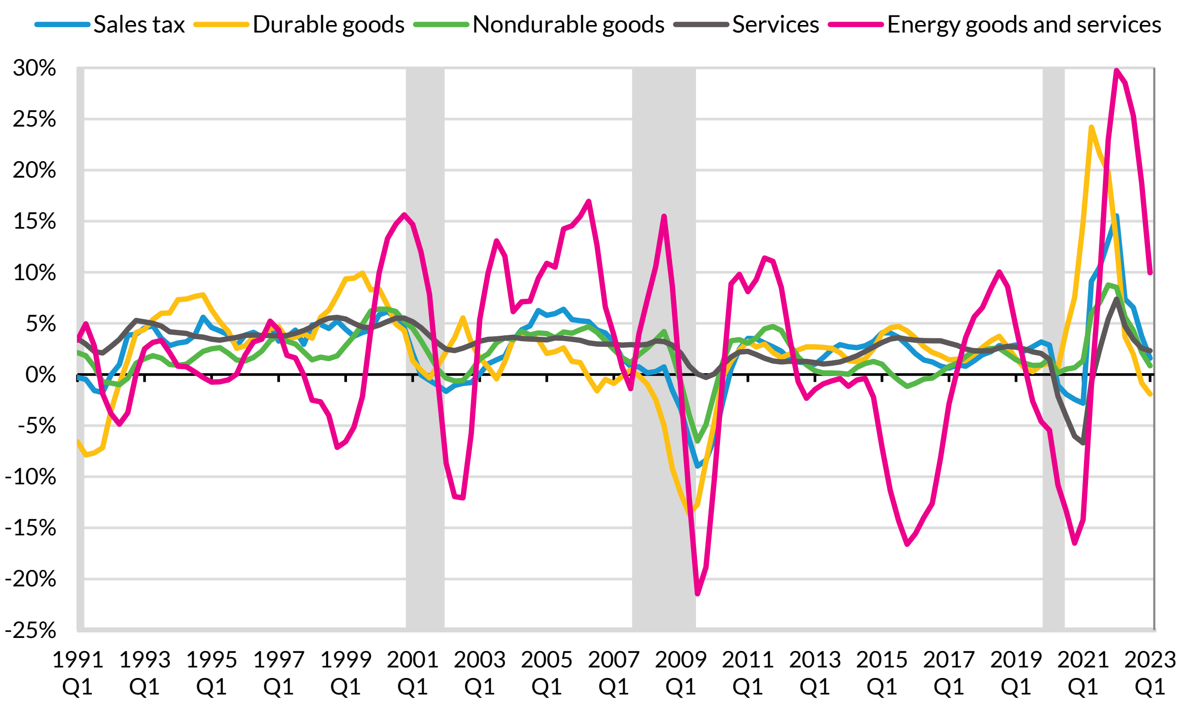
"Personal consumption expenditures" is a measure of national consumer spending. The measure shows the value of the goods and services purchased by American consumers and is correlated with the base for states' sales taxes. Figure 10 displays the year-over-year percentage change in the four-quarter moving average of real personal consumption expenditures for services, durable goods, and nondurable goods as well as for aggregate state real sales tax collections. We also show trends in the consumption of energy goods and services.

Before the COVID-19 pandemic, spending on services was resilient to economic downturns. However, spending on services declined in the second quarter of 2020, marking the first decline on record since 1948. Spending on services continued to decline for another year, primarily because of the restrictions caused by the pandemic. As shown in figure 10, year-over-year spending on services increased an average 2.3 percent in the first quarter of 2023. Spending on both durable and nondurable goods increased significantly throughout the COVID-19 pandemic, but growth weakened substantially in fiscal year 2023. Year-over-year spending on nondurable goods increased 0.9 percent while spending on durable goods declined 1.9 percent in the first quarter of 2023.

FIGURE 10

Spending on Goods and Services Continued to Weaken in the First Quarter of 2023

Year-over-year percentage change in real sales taxes and real personal consumption spending



Sources: US Census Bureau (sales taxes) and Bureau of Economic Analysis (NIPA table 2.3.5), analysis by the author.

Notes: Year-over-year change is the percentage change of four-quarter moving averages. Data are adjusted for inflation.

Spending on gasoline and energy goods represents about one-fifth of total spending on nondurable goods. As shown in figure 10, after eight consecutive quarters of declines, real spending on energy goods and services resumed growth in the third quarter of 2021; year-over-year growth was robust in the first quarter of 2023, at 10.0 percent. The growth in spending on energy goods and services is partly because of the sharp increases in gas and oil prices. With travel resuming and relatively high gas and oil prices, we expect to see continued growth in spending on energy goods and services in the coming months.

Tax Law Changes Affecting the First Quarter of 2023

Anticipated and actual federal policy changes had a substantial effect on state tax revenues in the past few years. But changes in state tax laws also affect state tax revenue trends. Several states enacted tax changes for fiscal year 2023, partly in response to surging state revenues and in response to residents' need for financial relief.

We present analysis based on data and information retrieved from the National Association of State Budget Officers' Fall 2022 Fiscal Survey of the States. However, the analysis and forecasted effects are based on anticipated revenue gains or losses in response to states' legislated tax changes and do not include the effects of changing economic conditions. Actual revenue collections typically vary from estimated tax revenues depending on the performance of underlying economic indicators, and estimates may not fully control for growing inflation.[11]

During the first quarter of 2023, enacted tax changes were forecasted to decrease revenues by $4.5 billion compared with the same period in 2022 (though this reflects tax decreases in some states and increases in others).[12] Overall, tax changes were expected to decrease personal income taxes by $2.4 billion and corporate income taxes by $1.1 billion. Enacted tax changes were also expected to decrease sales taxes by $427 million and motor fuel taxes by $287 million. Further, some states enacted changes in other taxes and fees, which were expected to decrease state tax and fee revenues by approximately $368 million (NASBO 2022). Below, we discuss some of the major enacted tax changes for fiscal year 2023.

The estimated impact of all the enacted tax changes was a projected net decrease of $16.2 billion in state revenues in fiscal year 2023. In comparison, legislated tax actions in fiscal year 2022 were estimated to decrease state revenues by only $2.7 billion. California, New York, and Virginia enacted the most substantial tax cuts, with estimated net losses of $4.6 billion, $3.6 billion, and $1.4 billion, respectively. Not only do these tax cuts reflect differences in anticipated revenue, but they can also have disparate impacts on different individuals within a state, based on the details of the changes.

For fiscal year 2023, 26 states enacted personal income tax decreases and 2 states enacted increases. The net impact of legislated tax changes was an estimated decrease of personal income tax revenues of $8.3 billion in fiscal year 2023. The largest estimated decline was in New York where officials introduced homeowner tax rebate credits for some 2.5 million eligible homeowners.[13] Under this program, qualifying taxpayers will receive higher refund payments. In addition, New York's Governor Hochul accelerated personal income tax cuts for middle-class taxpayers and introduced some other relief measures, including creating new credits or increasing existing tax credits.[14] These tax measures were estimated to decrease New York's personal income tax collections by $2.9 billion in fiscal year 2023.

Virginia and South Carolina also enacted various laws which were expected to decrease personal tax revenue collections significantly in fiscal year 2023. Officials in Virginia increased the standard deduction from $4,500 to $8,000 for single individuals and from $9,000 to $16,000 for married individuals filing jointly, provided revenue targets are met (and if not, the standard deduction will increase to $7,500 and $15,000, respectively). In addition, Virginia's Governor Youngkin issued income tax rebates and introduced some other measures.[15] These tax measures were estimated to decrease Virginia's personal income tax collections by $1.3 billion in fiscal year 2023.

Officials in South Carolina reduced the personal income tax rate from 7.0 percent to 6.5 percent[16] as well as exempted military retirement pay from income taxes.[17] These tax measures were estimated to decrease personal income tax collections by $0.7 billion in fiscal year 2023.

Lawmakers in Arkansas cut the top income tax rate from 5.9 percent to 4.9 percent as well as created an "inflationary relief" tax credit for 2022 income taxes.[18] These tax measures were estimated to decrease personal income tax collections by 0.5 billion in fiscal year 2023.

Several other states also enacted laws modifying their personal income tax structures, and those measures often have disparate impacts on different income and racial and ethnic groups (Auxier 2022). Cutting income tax rates often largely benefits the highest-income taxpayers, while tax cuts that include expanded refundable credits (like the earned income tax credit or child tax credit) benefit lower-income households and taxpayers with children (Auxier and Weiner 2023).

Sixteen states enacted corporate income tax decreases and 3 states enacted increases. Legislated tax changes were estimated to decrease aggregate corporate income tax revenues by $4.0 billion in fiscal year 2023. The largest corporate income tax changes were in California. In 2020, California's Governor Newsom signed a tax bill that suspended the net operating loss deductions for corporations with net income of over $1 million for tax years 2020 through 2022 as well as limited utilization of business credits (maximum of $5 million) for tax years 2020 through 2022.[19] However, on February 9, 2022, Governor Newsom signed a law that among other measures reinstated net operating loss deduction as well as removed the temporary limitation on allowable tax credits.[20] The net impact of these tax changes pertaining to businesses was an estimated decrease of $3.5 billion in California's corporate income tax revenues for fiscal year 2023. Several other states also enacted laws modifying their corporate income tax structures, but the estimated impact of these other changes was not significant.

Nineteen states enacted sales tax decreases and 3 states enacted increases. The net impact of these legislated tax changes was an estimated decrease in sales tax revenues of $1.6 billion in fiscal year 2023. The most significant legislative changes pertaining to sales tax revenues were in Florida, where sales tax revenues were estimated to decrease by $0.5 billion. In Florida, Governor DeSantis authorized a substantial tax relief package, which included sales tax holidays for a variety of items including children's books, energy star appliances, fuel, disaster supplies, clothing, and diapers among others.[21] Officials in California partially exempted sales and use tax on the sale, storage, use, or other consumption of diesel fuel effective October 1, 2022, through September 30, 2023. The net impact of this tax measure was an estimated decrease of $0.3 billion in California's sales tax revenue for fiscal year 2023.[22]

Three states—Florida, Georgia, and New York—enacted gas tax holidays, with an estimated net loss of $1.1 billion in motor fuel sales tax collections for fiscal year 2023. Three states enacted changes for cigarette taxes, 2 states enacted changes pertaining to gaming taxes, and 9 states enacted changes pertaining to some fees. However, the estimated impact of each state's changes related to cigarettes, gaming, and fees was not significant.

Twenty-one states enacted changes for some other taxes, with an estimated overall decrease of $1.2 billion in fiscal year 2023. These changes were estimated to decrease state tax revenues in 15 states and increase revenues in 6 states. The most significant legislated changes were in California and Connecticut, where tax measures were estimated to decrease other tax collections by $0.5 billion and $0.4 billion, respectively. Officials in California eliminated a cannabis cultivation tax effective July 1, 2022,[23] as well as did not renew a managed care organization tax which expired in December 2022.[24] In Connecticut Governor Lamont enacted various tax measures, including a gas tax holiday, extending a child tax credit, and increasing a property tax credit.[25]

Conclusion

State tax revenues have become increasingly volatile in recent years. Early in the COVID-19 pandemic, states were forecasting steep revenue shortfalls for fiscal years 2021 and 2022 (Dadayan 2020a). And state revenues saw steep declines very early in the pandemic. But the federal government swiftly provided generous stimulus packages that injected trillions of dollars into the economy. As a result, most states saw surging revenues in fiscal years 2021 and 2022, surpassing projections in most states.

Although state revenue collections saw robust growth in fiscal year 2022 and reported revenue growth was widespread across states and among various revenue sources, overall state revenue collections weakened substantially in fiscal year 2023. The double-digit state revenue growth observed in fiscal year 2022 was from volatile sources and related to temporary factors such as an exceptionally robust stock market, a record number of initial public offerings, elevated inflation, the boost in spending on taxable goods, and anticipation of possible federal tax hikes (Dadayan 2022a).

While states had largely forecasted continued growth in revenues for fiscal year 2023, recent forecasts have lowered or even reversed expectations of revenue growth for fiscal year 2023 (Dadayan 2023a) as well as for fiscal year 2024 (Dadayan 2023b). State revenues are being affected by ongoing geopolitical crises, inflation, volatility in the stock market and oil prices, federal monetary policy, banking turmoil, changes in consumer spending behaviors, and natural calamities, among other factors.

Further, state revenue growth is also affected by recent state government actions, most notably tax cuts enacted over the last two years. In fiscal year 2023 alone, states enacted net tax cuts totaling $16.2 billion, marking the largest nominal reduction in revenues on record. Therefore, the weakening in state tax revenues in fiscal year 2023 was expected, given state policy decisions over the last two years.

Economic data are mixed, with low unemployment rates and continued job growth but persistent high inflation and high interest rates, which has undermined consumer confidence. In addition, the slowing of GDP growth and stagnant real wages warrant caution for the coming months.

States' fiscal path forward remains highly uncertain, particularly for states that chose to enact permanent tax rate cuts. The revenue boom of fiscal years 2021 and 2022 is unlikely to be repeated. Large surpluses are helping ease the transition to slower revenue growth. But those resources will soon run out, forcing states to again grapple with the need for more revenue or spending cuts in the coming years.

Appendix: Additional Tables

TABLE A1

Quarterly State Government Tax Revenue by Major Tax

	Nominal YOY Percentage Change					Inflation	Real YOY Percentage Change				
Year / quarter	**PIT**	**CIT**	**Sales**	**MFT**	**Total**	**rate**	**PIT**	**CIT**	**Sales**	**MFT**	**Total**
Average growth since 2022 Q1	**2.5**	**31.1**	**10.2**	**0.6**	**7.9**	**6.7**	**(3.9)**	**22.8**	**3.4**	**(5.7)**	**1.1**
2023 Q1	(18.4)	(25.4)	6.1	0.7	(6.8)	5.3	(22.5)	(29.2)	0.7	(4.4)	(11.5)
2022 Q4	(10.5)	10.9	6.5	(3.3)	(0.4)	6.4	(15.8)	4.2	0.2	(9.1)	(6.3)
2022 Q3	2.6	10.5	11.2	(3.3)	7.1	7.1	(4.2)	3.2	3.8	(9.7)	0.0
2022 Q2	14.6	36.3	9.5	(1.3)	15.2	7.6	6.6	26.7	1.8	(8.2)	7.0
2022 Q1	24.2	123.3	18.0	10.0	24.3	6.9	16.2	108.9	10.3	2.9	16.2
2021 Q4	28.4	61.2	18.6	8.1	24.3	6.1	21.0	51.9	11.8	1.8	17.2
2021 Q3	(16.6)	(3.0)	12.4	7.7	(0.6)	5.0	(20.6)	(7.6)	7.0	2.6	(5.3)
2021 Q2	75.5	163.6	40.3	27.6	59.3	4.4	68.2	152.6	34.5	22.2	52.7
2021 Q1	18.0	31.2	3.0	(7.3)	9.4	2.4	15.2	28.0	0.5	(9.5)	6.8
2020 Q4	8.9	24.9	3.4	(7.6)	6.1	1.6	7.2	22.9	1.7	(9.1)	4.4
2020 Q3	43.9	63.6	2.8	(4.2)	19.3	1.3	42.1	61.5	1.5	(5.4)	17.8
2020 Q2	(32.9)	(44.3)	(13.4)	(17.9)	(24.9)	0.8	(33.4)	(44.8)	(14.0)	(18.5)	(25.5)
2020 Q1	5.0	(0.5)	3.9	5.2	4.0	1.7	3.2	(2.2)	2.2	3.4	2.3
2019 Q4	6.2	19.4	5.6	8.3	5.6	1.6	4.5	17.6	3.9	6.6	3.9
2019 Q3	4.3	11.8	7.1	6.0	5.5	1.7	2.6	9.9	5.3	4.3	3.8
2019 Q2	18.8	21.0	2.3	3.2	10.4	1.8	16.7	18.8	0.4	1.3	8.4
2019 Q1	(2.4)	40.5	5.5	1.8	2.6	2.0	(4.3)	37.8	3.4	(0.2)	0.6
2018 Q4	(9.2)	12.0	4.4	6.0	(0.2)	2.3	(11.3)	9.4	2.0	3.6	(2.4)
2018 Q3	7.9	26.4	6.2	8.8	8.3	2.5	5.2	23.3	3.6	6.1	5.6
2018 Q2	10.6	17.5	5.3	8.9	8.9	2.6	7.7	14.5	2.6	6.1	6.2
2018 Q1	15.3	(6.5)	5.0	10.9	8.9	2.2	12.8	(8.5)	2.8	8.6	6.5
2017 Q4	14.9	10.5	4.5	9.7	9.1	2.0	12.6	8.3	2.4	7.5	7.0
2017 Q3	4.6	6.5	3.1	2.0	3.9	1.9	2.6	4.5	1.1	0.0	2.0
2017 Q2	(0.0)	11.7	3.2	5.2	2.3	1.7	(1.7)	9.8	1.5	3.5	0.6
2017 Q1	8.9	(28.1)	2.3	0.9	3.3	2.0	6.7	(29.5)	0.3	(1.1)	1.2
2016 Q4	0.3	(3.4)	1.7	1.2	1.2	1.5	(1.1)	(4.8)	0.2	(0.3)	(0.3)
2016 Q3	2.4	(9.0)	2.7	1.4	1.3	0.9	1.5	(9.8)	1.8	0.5	0.3
2016 Q2	(2.8)	(9.7)	1.2	0.3	(1.7)	0.9	(3.6)	(10.5)	0.3	(0.6)	(2.5)
2016 Q1	1.7	(5.9)	1.9	2.9	1.4	0.8	0.9	(6.6)	1.1	2.1	0.7
2015 Q4	5.1	(9.5)	2.7	3.5	2.4	0.8	4.3	(10.2)	1.9	2.7	1.5
2015 Q3	6.5	0.3	3.5	5.0	4.1	0.9	5.5	(0.6)	2.6	4.1	3.2
2015 Q2	14.0	6.0	3.6	2.5	7.1	1.1	12.8	4.8	2.5	1.4	5.9
2015 Q1	6.9	3.3	5.8	4.3	5.5	1.1	5.8	2.2	4.6	3.1	4.3
2014 Q4	8.4	10.1	6.5	2.4	5.7	1.5	6.8	8.5	4.9	0.9	4.1
2014 Q3	4.4	7.4	6.6	0.6	4.3	2.0	2.4	5.3	4.5	(1.4)	2.2
2014 Q2	(6.7)	(0.3)	4.6	4.0	(1.0)	2.1	(8.6)	(2.4)	2.5	1.9	(3.0)
2014 Q1	(1.3)	7.9	3.0	2.8	0.5	1.8	(3.0)	6.0	1.2	1.0	(1.3)
2013 Q4	1.1	3.6	5.1	3.6	3.0	1.8	(0.7)	1.8	3.2	1.7	1.2
2013 Q3	4.9	1.8	5.5	2.8	5.3	1.7	3.1	0.2	3.7	1.1	3.5
2013 Q2	19.2	8.5	4.6	2.0	10.0	1.7	17.2	6.6	2.8	0.3	8.1
2013 Q1	18.2	9.6	3.9	(1.7)	8.9	1.9	16.0	7.6	2.0	(3.5)	6.9
2012 Q4	10.4	2.5	3.3	1.3	5.6	2.1	8.1	0.4	1.2	(0.8)	3.4
2012 Q3	4.7	8.6	2.3	2.2	3.1	1.8	2.9	6.7	0.5	0.4	1.3
2012 Q2	4.7	1.5	2.1	1.7	3.2	1.7	2.9	(0.2)	0.4	0.0	1.5
2012 Q1	4.0	4.2	4.6	1.3	3.7	2.0	2.0	2.2	2.6	(0.7)	1.7

Source: Bureau of Economic Analysis (GDP) and US Census Bureau (tax revenue), analysis by the author.

Notes: PIT = personal income tax; CIT = corporate income tax; MFT = motor fuel tax; YOY = year-over-year, CY = calendar year.

TABLE A2

Quarterly State Government Tax Revenue, by State

Nominal percentage change, 2023 Q1 versus 2022 Q1

State / region	PIT	CIT	Sales	MFT	Total
US (median)	*(2.9)*	*11.0*	*7.2*	*0.8*	*2.5*
US (average)	*(18.4)*	*(25.4)*	*6.1*	*0.7*	*(6.8)*
New England	**(6.8)**	**1.2**	**6.1**	**(2.5)**	**(1.5)**
Connecticut	(6.1)	(12.6)	1.5	(49.0)	(5.6)
Maine	1.8	58.0	8.1	(0.7)	4.1
Massachusetts	(8.4)	13.8	9.2	(0.8)	(1.0)
New Hampshire	(6.2)	3.8	NA	105.3	4.6
Rhode Island	(1.3)	(5.7)	4.6	(0.2)	1.6
Vermont	(2.3)	40.8	6.3	0.8	4.2
Mideast	**(14.9)**	**25.0**	**3.7**	**3.8**	**(4.9)**
Delaware	3.5	4.9	NA	1.6	1.3
Maryland	(1.8)	(36.6)	(0.5)	(4.3)	(1.7)
New Jersey	(3.4)	(5.4)	3.6	4.6	1.7
New York	(21.8)	50.0	8.2	2.3	(11.1)
Pennsylvania	4.4	28.2	0.2	7.3	4.6
Great Lakes	**(2.1)**	**(15.0)**	**5.5**	**0.4**	**0.2**
Illinois	(8.4)	(22.5)	5.1	3.5	(5.0)
Indiana	3.5	(17.5)	7.5	2.8	4.3
Michigan	(8.4)	57.9	2.9	(4.5)	(0.6)
Ohio	4.0	NA	5.7	(0.0)	4.4
Wisconsin	19.9	(20.7)	7.2	(2.4)	6.9
Plains	**(0.9)**	**(24.1)**	**9.8**	**0.8**	**0.8**
Iowa	(6.8)	49.1	10.0	(9.9)	0.9
Kansas	(0.3)	219.1	4.3	0.8	7.8
Minnesota	(0.4)	(57.0)	2.5	(5.5)	(7.4)
Missouri	4.4	12.1	28.8	17.8	14.0
Nebraska	(9.2)	(7.1)	8.1	1.8	(1.4)
North Dakota	(0.1)	43.6	16.0	4.0	2.0
South Dakota	NA	28.1	8.7	(5.9)	5.5
Southeast	**(6.5)**	**53.7**	**7.0**	**(2.0)**	**2.6**
Alabama	(2.0)	17.6	7.2	(1.0)	0.2
Arkansas	(28.2)	185.6	6.3	0.8	1.7
Florida	NA	69.6	7.5	5.9	4.0
Georgia	(8.8)	175.1	8.2	(42.3)	1.7
Kentucky	(3.3)	(0.1)	11.2	(0.6)	3.1
Louisiana	7.4	(35.3)	6.3	0.8	8.4
Mississippi	(2.6)	21.2	6.6	1.6	5.6
North Carolina	(1.7)	90.9	5.0	4.4	3.0
South Carolina	(40.1)	(4.5)	8.0	7.8	(10.8)
Tennessee	NA	11.0	7.9	(0.4)	7.0
Virginia	(3.8)	55.4	1.1	4.5	0.8
West Virginia	3.9	114.3	8.6	5.3	3.3
Southwest	**(27.0)**	**28.8**	**9.3**	**1.6**	**7.5**
Arizona	(55.4)	95.7	9.4	0.8	(6.0)
New Mexico	(16.1)	13.8	11.3	0.8	21.2
Oklahoma	6.7	(11.6)	6.2	(7.9)	4.7
Texas	NA	NA	9.4	3.3	9.5
Rocky Mountain	**(8.7)**	**30.5**	**5.8**	**(1.2)**	**2.2**
Colorado	(14.7)	182.3	7.3	(3.5)	(0.4)
Idaho	(12.0)	(18.9)	4.5	2.3	0.8
Montana	(7.8)	(23.9)	NA	21.1	3.6
Utah	4.2	(23.6)	3.2	(12.0)	0.6
Wyoming	NA	NA	14.1	9.2	34.7

State / region	PIT	CIT	Sales	MFT	Total
Far West	**(38.9)**	**(61.4)**	**3.4**	**3.9**	**(25.6)**
Alaska	NA	(37.8)	NA	23.2	6.3
California	(42.6)	(62.2)	2.3	4.6	(32.9)
Hawaii	(16.6)	9.0	11.1	2.0	(3.1)
Nevada	NA	NA	4.9	36.2	6.0
Oregon	21.4	(17.6)	NA	0.8	18.3
Washington	NA	NA	4.0	(9.0)	1.6

Source: US Census Bureau (tax revenue), analysis by the author.

Notes: PIT = personal income tax; CIT = corporate income tax; MFT = motor fuel tax; NA = not applicable; NM = not meaningful.

TABLE A3

State Government Tax Revenue Trends in State Fiscal Year-To-Date 2023

Nominal percentage change July 2022-March 2023 versus July 2021–March 2022

State / region	PIT	CIT	Sales	MFT	Total
US (median)	***2.8***	***11.0***	***7.9***	***0.4***	***5.2***
US (average)	***(9.8)***	***(3.3)***	***7.9***	***(2.0)***	***(0.4)***
New England	**(1.5)**	**1.2**	**7.2**	**(12.2)**	**1.4**
Connecticut	1.2	(3.4)	5.1	(63.5)	0.8
Maine	7.2	9.0	7.8	(0.7)	5.5
Massachusetts	(4.0)	3.1	8.5	(3.0)	0.1
New Hampshire	(11.8)	3.0	NA	32.2	3.5
Rhode Island	(0.5)	(3.6)	5.9	0.1	3.5
Vermont	12.5	31.5	7.8	7.1	9.4
Mideast	**(14.4)**	**17.6**	**4.7**	**(0.4)**	**(4.5)**
Delaware	8.2	16.6	NA	(2.2)	7.2
Maryland	5.4	2.3	1.0	17.1	4.9
New Jersey	2.5	0.5	5.7	1.9	2.5
New York	(24.3)	32.1	7.6	(20.7)	(12.6)
Pennsylvania	9.0	17.3	1.7	3.9	4.9
Great Lakes	**1.5**	**2.1**	**7.0**	**(0.8)**	**3.2**
Illinois	1.7	11.0	6.4	0.1	3.8
Indiana	7.8	(24.2)	7.9	(0.9)	5.5
Michigan	(5.3)	(4.4)	8.3	(0.6)	1.1
Ohio	5.9	NA	5.2	(1.6)	4.0
Wisconsin	(1.6)	(6.8)	9.0	(0.6)	1.7
Plains	**8.0**	**(9.8)**	**8.9**	**2.4**	**6.8**
Iowa	3.0	19.8	4.2	3.3	3.5
Kansas	5.5	72.8	3.0	(0.6)	7.8
Minnesota	10.6	(38.1)	13.2	(3.9)	3.2
Missouri	9.6	21.2	8.8	18.5	12.5
Nebraska	1.3	4.6	7.6	(9.0)	3.2
North Dakota	13.7	27.3	17.2	3.0	20.5
South Dakota	NA	15.0	13.7	(4.3)	8.8
Southeast	**0.5**	**35.3**	**8.8**	**(7.5)**	**5.2**
Alabama	7.6	26.2	7.6	1.5	6.1
Arkansas	(9.4)	41.7	9.9	0.7	4.9
Florida	NA	55.2	8.7	(2.9)	5.5
Georgia	2.3	105.2	10.4	(81.8)	4.7
Kentucky	4.4	3.0	10.7	1.0	6.3
Louisiana	(0.6)	0.3	11.2	12.7	7.8
Mississippi	6.4	36.5	7.0	1.0	7.5
North Carolina	(0.6)	32.0	7.5	5.4	4.2
South Carolina	(4.3)	24.0	7.9	6.0	2.7
Tennessee	NM	18.1	9.2	(0.4)	7.9
Virginia	(1.8)	(6.3)	7.3	22.0	1.6
West Virginia	10.0	21.7	6.7	1.4	11.0
Southwest	**(2.2)**	**45.4**	**12.0**	**1.5**	**12.9**
Arizona	(12.4)	63.9	10.0	0.1	4.2
New Mexico	4.5	68.6	18.3	27.2	33.9
Oklahoma	10.4	0.3	7.9	(3.6)	10.8
Texas	NA	NA	12.3	1.0	12.9
Rocky Mountain	**4.7**	**24.6**	**9.3**	**1.6**	**9.0**
Colorado	0.0	67.1	10.0	4.3	6.7
Idaho	(9.2)	9.3	8.2	(0.8)	4.1
Montana	9.1	3.6	NA	6.2	10.1
Utah	18.0	(11.3)	8.0	(1.8)	10.5
Wyoming	NA	NA	15.6	0.0	38.2

State / region	PIT	CIT	Sales	MFT	Total
Far West	**(24.2)**	**(30.8)**	**5.9**	**1.6**	**(11.7)**
Alaska	NA	117.4	NA	7.0	82.0
California	(27.1)	(32.7)	4.7	2.2	(17.2)
Hawaii	(17.2)	2.8	12.0	0.6	1.1
Nevada	NA	NA	7.1	12.0	6.1
Oregon	11.7	2.2	NA	(0.2)	12.5
Washington	NA	NA	7.2	(3.1)	4.5

Source: US Census Bureau (tax revenue), analysis by the author.

Notes: PIT = personal income tax; CIT = corporate income tax; MFT = motor fuel tax; NA = not applicable.

TABLE A4

State Personal Income Tax Withholding

Year-over-year nominal percentage change

State / region	State Fiscal Year 2022				State Fiscal Year 2023		
	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
US (median)	***9.3***	***10.9***	***12.0***	***9.8***	***7.2***	***6.2***	***2.4***
US (average)	**12.1**	**15.4**	**12.9**	**7.5**	**3.1**	**(0.6)**	**0.3**
New England	**9.4**	**10.3**	**11.1**	**6.3**	**2.5**	**5.6**	**4.1**
Connecticut	8.4	8.8	16.3	5.3	(5.8)	7.0	6.4
Maine	14.8	9.8	18.1	13.3	5.4	8.3	15.1
Massachusetts	9.3	10.5	7.2	5.6	5.0	4.7	1.5
Rhode Island	7.7	13.4	11.4	5.8	8.0	2.1	2.4
Vermont	11.9	15.8	22.5	12.3	13.0	11.3	6.5
Mideast	**11.1**	**20.0**	**17.8**	**7.7**	**3.5**	**(1.3)**	**(1.6)**
Delaware	9.3	113.0	(14.9)	8.2	9.0	9.1	4.2
Maryland	8.1	7.7	11.8	3.3	4.3	5.1	2.0
New Jersey	7.6	10.9	10.9	11.3	8.3	5.3	2.4
New York	14.8	26.3	24.1	8.1	1.3	(7.0)	(4.9)
Pennsylvania	5.1	18.7	10.6	9.8	5.4	5.6	5.0
Great Lakes	**5.8**	**10.1**	**15.8**	**9.0**	**4.0**	**4.5**	**0.1**
Illinois	5.8	10.1	30.0	18.7	3.6	8.8	(6.4)
Indiana	2.7	10.5	13.0	15.9	7.0	8.9	4.9
Michigan	3.5	10.7	9.3	5.6	8.1	3.3	3.5
Ohio	6.7	8.0	11.1	5.8	6.4	9.1	11.4
Wisconsin	12.4	11.5	0.2	(7.9)	(8.0)	(11.3)	(2.9)
Plains	**11.0**	**8.5**	**13.2**	**5.9**	**6.6**	**7.6**	**0.4**
Iowa	1.2	2.9	9.9	13.3	5.8	9.5	(5.7)
Kansas	11.1	9.7	14.6	8.3	7.3	9.1	3.9
Minnesota	16.5	7.5	13.4	(1.9)	5.9	6.2	3.3
Missouri	11.3	12.3	13.0	10.8	6.5	5.8	(2.7)
Nebraska	7.0	9.8	13.9	9.8	8.4	10.6	2.2
North Dakota	1.2	11.8	34.4	35.6	17.4	24.8	(7.1)
Southeast	**8.2**	**13.2**	**10.1**	**8.3**	**6.9**	**1.9**	**2.3**
Alabama	10.7	9.3	11.1	13.0	8.4	8.0	6.6
Arkansas	7.2	9.8	10.7	2.2	2.2	(3.8)	(8.3)
Georgia	4.1	15.5	10.6	10.0	10.1	3.6	7.1
Kentucky	5.2	10.1	13.3	14.9	8.0	7.5	(1.0)
Louisiana	12.0	12.4	8.0	(2.0)	(5.0)	(15.0)	2.1
Mississippi	18.7	7.5	11.2	11.8	9.8	7.3	1.2
North Carolina	7.4	15.7	8.4	3.8	1.0	(0.7)	0.7
South Carolina	10.6	18.7	12.0	13.1	10.4	4.7	(3.0)
Virginia	9.7	10.9	9.4	8.0	9.6	1.8	2.6
West Virginia	9.3	9.3	10.8	9.7	10.9	8.9	9.5
Southwest	**8.1**	**13.2**	**12.5**	**11.3**	**10.8**	**3.5**	**(1.1)**
Arizona	11.9	11.9	11.5	14.6	7.9	2.0	(9.4)
New Mexico	3.8	20.2	16.8	10.6	29.3	0.8	11.0
Oklahoma	4.5	12.0	12.1	6.6	7.2	7.3	6.6
Rocky Mountain	**14.4**	**12.2**	**15.8**	**11.7**	**8.0**	**6.5**	**2.2**
Colorado	11.0	12.2	16.4	10.7	7.3	6.9	2.9
Idaho	20.0	15.4	13.3	14.0	6.0	3.8	(0.6)
Montana	16.5	10.5	15.8	13.1	12.1	9.1	5.7
Utah	18.7	11.4	15.7	12.3	9.0	6.3	1.0
Far West	**21.4**	**19.9**	**7.7**	**5.4**	**(2.8)**	**(9.1)**	**0.1**
California	22.7	21.1	7.0	4.9	(3.9)	(10.8)	(0.3)
Hawaii	10.5	12.1	12.5	7.4	6.6	9.1	6.0
Oregon	12.6	10.2	12.5	8.9	4.9	4.5	2.6

Source: Individual state data, analysis by the author.

TABLE A5

State Personal Income Tax Estimated Payments or Declarations

Year-over-year nominal percentage change

State	April 2020-January 2021 vs April 2019-January 2020	April 2021-January 2022 vs April 2020-January 2021	April 2022-January 2023 vs April 2021-January 2022	April-May 2022 vs April-May 2021	April-May 2023 vs April-May 2022
US (median)	***(2.2)***	***23.5***	***7.6***	***14.7***	***(31.5)***
US (average)	**2.0**	**38.9**	**(21.8)**	**3.0**	**(44.9)**
Alabama	(0.9)	24.1	(5.3)	(9.9)	(41.7)
Arizona	12.7	34.2	(19.2)	(26.0)	(40.8)
Arkansas	10.8	11.9	(4.6)	(14.1)	(58.6)
California	11.2	55.3	(52.6)	(48.4)	(61.7)
Colorado	(8.3)	25.1	26.8	84.1	(55.5)
Connecticut	(1.7)	33.5	(3.3)	(17.6)	(31.1)
Delaware	7.6	40.3	3.9	(4.4)	(7.9)
Georgia	(8.9)	36.7	12.5	42.3	(31.9)
Hawaii	(6.5)	60.7	9.1	40.8	(24.3)
Illinois	1.6	17.4	(23.1)	(39.5)	(29.0)
Indiana	(2.0)	14.5	32.7	29.0	(49.1)
Iowa	(4.0)	22.6	6.3	21.2	(27.5)
Kansas	(0.0)	19.7	3.0	(1.9)	(41.3)
Kentucky	(2.8)	17.9	27.6	59.4	(38.6)
Louisiana	(1.2)	4.7	37.0	80.3	(18.2)
Maine	15.2	15.4	13.3	11.6	(20.5)
Maryland	20.0	31.7	(10.7)	18.7	16.6
Massachusetts	(2.5)	76.4	(8.8)	(3.0)	(29.4)
Michigan	0.0	30.6	(24.4)	(37.0)	(27.0)
Minnesota	(4.6)	19.9	(0.9)	12.4	(45.4)
Mississippi	(7.4)	30.3	33.0	54.1	(39.0)
Missouri	147.7	(21.6)	(3.0)	(19.1)	(36.6)
Montana	5.8	29.7	36.9	123.6	(48.2)
Nebraska	1.9	17.4	12.4	5.3	(25.7)
New Jersey	(10.6)	20.1	(5.1)	(21.8)	(30.0)
New York	(3.8)	31.4	(14.3)	17.0	(55.0)
North Carolina	(0.9)	38.4	(11.3)	(8.3)	(42.3)
North Dakota	(5.9)	8.2	91.0	187.2	(80.1)
Ohio	(2.5)	22.9	0.4	(0.2)	4.0
Oklahoma	(25.4)	16.4	46.4	285.8	(29.4)
Oregon	(13.9)	37.9	36.7	42.9	(18.3)
Pennsylvania	(19.2)	46.6	20.8	39.7	(22.1)
Rhode Island	(8.9)	16.4	10.4	(0.1)	(32.2)
South Carolina	2.5	22.4	0.0	18.7	(80.3)
Vermont	(0.9)	26.2	14.2	4.5	(29.1)
Virginia	(6.5)	30.5	9.0	28.3	(39.7)
West Virginia	(6.1)	22.6	28.4	35.7	(12.9)
Wisconsin	(9.7)	14.7	14.5	46.7	(28.2)

Source: Individual state data, analysis by the author.

Notes: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming have no broad-based personal income tax and are not shown in this table.

TABLE A6

State Personal Income Tax Final Payments

Year-over-year nominal percentage change

State	April 2020-January 2021 vs April 2019-January 2020	April 2021-January 2022 vs April 2020-January 2021	April 2022-January 2023 vs April 2021-January 2022	April-May 2022 vs April-May 2021	April-May 2023 vs April-May 2022
US (median)	***(1.4)***	***25.4***	***41.9***	***52.1***	***(34.6)***
US (average)	**(2.6)**	**27.8**	**41.8**	**45.6**	**(40.0)**
Alabama	(3.0)	35.4	31.8	45.1	(41.9)
Arizona	(4.1)	33.5	57.3	79.7	(54.8)
Arkansas	8.8	20.6	39.9	52.3	(62.6)
California	7.4	28.1	21.4	19.0	(62.2)
Colorado	6.2	29.2	42.8	51.8	(43.8)
Connecticut	(2.4)	12.9	54.8	68.7	(46.2)
Delaware	(6.0)	31.6	40.3	48.9	(28.6)
Georgia	(0.1)	36.7	113.2	155.7	(51.9)
Hawaii	6.5	45.1	19.1	27.3	(29.1)
Idaho	17.5	25.4	1.7	1.4	(34.3)
Illinois	(19.1)	34.7	37.2	37.7	(45.4)
Indiana	(1.2)	22.3	54.6	71.8	(38.3)
Iowa	(24.5)	29.8	48.3	96.9	(29.5)
Kansas	(18.2)	34.5	40.7	42.0	(48.1)
Kentucky	2.2	24.2	41.9	42.8	(21.4)
Louisiana	(6.5)	13.6	55.6	218.7	(17.5)
Maine	2.3	26.5	57.7	71.0	(30.8)
Maryland	(8.0)	25.3	45.6	84.0	12.4
Massachusetts	(1.3)	29.4	38.0	41.4	(45.2)
Michigan	(1.9)	36.2	4.3	0.9	(36.5)
Minnesota	(1.6)	33.3	(6.4)	11.2	(28.5)
Missouri	(68.1)	149.7	111.6	97.9	(29.1)
Montana	2.6	25.7	80.5	81.4	(29.2)
Nebraska	(0.9)	19.8	41.1	49.5	(29.8)
New Jersey	(7.6)	22.3	46.4	48.8	(38.8)
New Mexico	43.8	6.3	(25.4)	(62.1)	ND
New York	1.7	27.8	22.5	11.2	(36.0)
North Carolina	(5.2)	34.8	62.8	49.2	(27.3)
North Dakota	(3.3)	4.3	10.4	3.8	62.7
Ohio	(8.7)	32.3	36.1	59.2	(16.2)
Oklahoma	(3.4)	9.5	28.4	98.4	(16.5)
Pennsylvania	(5.8)	21.1	73.8	85.9	(42.5)
Rhode Island	(1.4)	2.7	62.5	73.1	(39.9)
South Carolina	0.6	18.9	135.1	61.9	(34.8)
Utah	23.0	16.9	49.9	58.0	(51.1)
Vermont	6.9	0.7	72.7	74.7	(34.6)
Virginia	11.0	25.0	79.1	59.6	(20.4)
West Virginia	(4.0)	12.8	23.5	35.7	8.7
Wisconsin	(0.8)	9.8	6.8	7.8	(16.5)

Source: Individual state data, analysis by the author.

Notes: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming have no broad-based personal income tax and are not shown in this table.

TABLE A7

States with Pass-Through Entity Elective Tax and Effective Dates

State	Effective date
Alabama	Tax year 2021
Arizona	Tax year 2022
Arkansas	Tax year 2022
California	Tax year 2021
Colorado	Tax year 2022
Connecticut	Tax year 2018
Delaware	NA
Georgia	Tax year 2022
Hawaii	NA
Idaho	Tax year 2021
Illinois	Tax year 2022
Indiana	Tax year 2022
Iowa	NA
Kansas	Tax year 2022
Kentucky	NA
Louisiana	Tax year 2019
Maine	NA
Maryland	Tax year 2020
Massachusetts	Tax year 2021
Michigan	Tax year 2021
Minnesota	Tax year 2021
Mississippi	Tax year 2022
Missouri	Tax year 2023
Montana	NA
Nebraska	NA
New Jersey	Tax year 2020
New Mexico	Tax year 2022
New York	Tax year 2021
North Carolina	Tax year 2022
North Dakota	NA
Ohio	Tax year 2022
Oklahoma	Tax year 2019
Oregon	Tax year 2022
Pennsylvania	NA
Rhode Island	Tax year 2019
South Carolina	Tax year 2021
Utah	Tax year 2022
Vermont	NA
Virginia	Tax year 2021
West Virginia	NA
Wisconsin	Tax year 2019

Source: Individual state information, compiled by the author.

Notes: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming have no broad-based personal income tax and are not shown in this table. NA = not applicable. State names are hyperlinked to their respective pass-through entity elective tax guidelines.

TABLE A8

Quarterly State Government Tax Revenue for Nonmajor Tax Revenue Sources

Year-over-year real percentage change; four-quarter moving averages

Year/quarter	Property tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators' license taxes	Other taxes	Total nonmajor taxes
2023 Q1 collections ($ millions)	**$5,607**	**$3,894**	**$2,032**	**$8,838**	**$52,746**	**$73,117**
2023 Q1	***1.3***	***(10.5)***	***1.6***	***(5.0)***	***13.8***	***7.8***
2022 Q4	0.7	(13.2)	(3.1)	(4.9)	6.0	2.6
2022 Q3	1.4	(12.4)	(1.3)	(6.1)	8.5	4.2
2022 Q2	1.4	(12.2)	(0.6)	(7.1)	14.4	7.7
2022 Q1	0.8	(9.6)	2.6	(7.3)	17.7	9.9
2021 Q4	2.5	(5.2)	10.4	0.3	22.5	14.7
2021 Q3	2.8	(4.5)	8.8	1.3	19.8	13.1
2021 Q2	4.6	(1.2)	7.9	5.3	14.5	10.7
2021 Q1	5.9	0.9	5.4	7.8	7.8	6.9
2020 Q4	2.2	(0.6)	(5.4)	(3.0)	(5.9)	(4.4)
2020 Q3	2.8	0.7	(5.1)	(2.5)	(6.1)	(4.3)
2020 Q2	2.6	(1.2)	(3.4)	(3.4)	(7.0)	(5.1)
2020 Q1	0.2	(2.5)	(2.3)	(3.1)	(4.8)	(3.9)
2019 Q4	1.2	(3.2)	2.7	1.9	1.3	1.0
2019 Q3	0.3	(4.1)	2.8	1.2	1.4	0.9
2019 Q2	(0.3)	(6.2)	0.2	1.3	3.4	1.8
2019 Q1	5.3	(7.7)	(1.3)	0.8	4.6	2.7
2018 Q4	6.4	(5.5)	(0.7)	4.3	5.2	3.9
2018 Q3	8.9	(5.3)	(1.5)	7.1	5.3	4.6
2018 Q2	8.0	0.8	(0.0)	4.4	5.2	4.7
2018 Q1	3.6	5.2	1.2	4.7	3.6	3.8
2017 Q4	1.0	4.6	1.0	1.1	2.6	2.4
2017 Q3	(0.7)	6.1	2.9	(0.3)	1.9	1.8
2017 Q2	(1.2)	3.5	3.0	3.7	0.5	1.1
2017 Q1	0.4	1.8	2.3	1.5	(0.4)	0.2
2016 Q4	3.0	1.2	1.1	2.3	(1.7)	(0.4)
2016 Q3	2.4	1.4	0.5	2.7	(1.6)	(0.4)
2016 Q2	4.9	1.2	0.8	1.1	(2.5)	(1.0)
2016 Q1	4.2	0.7	1.6	2.6	(1.7)	(0.4)
2015 Q4	5.0	1.8	2.6	2.3	(1.3)	0.1
2015 Q3	8.7	0.1	1.5	2.8	(1.0)	0.4
2015 Q2	6.1	(0.8)	1.3	1.6	(0.4)	0.4
2015 Q1	5.2	(2.2)	1.6	1.1	(0.7)	(0.1)
2014 Q4	4.3	(4.0)	(0.3)	1.2	(0.4)	(0.2)
2014 Q3	0.7	(4.7)	1.4	(0.7)	(1.9)	(1.7)
2014 Q2	3.1	(3.7)	1.3	0.6	(1.7)	(1.1)
2014 Q1	5.2	0.5	(0.1)	1.1	(0.4)	0.3
2013 Q4	5.1	1.8	1.3	0.9	0.4	1.0
2013 Q3	4.8	3.7	(0.7)	0.3	3.2	2.8
2013 Q2	3.2	3.6	(2.4)	(0.5)	3.6	2.8
2013 Q1	(0.3)	(1.0)	(1.9)	(0.9)	2.7	1.5
2012 Q4	(3.2)	(1.5)	(0.1)	0.3	2.5	1.3
2012 Q3	(4.8)	(2.5)	2.3	2.0	1.3	0.6
2012 Q2	(9.2)	(3.3)	3.5	3.1	2.2	1.0
2012 Q1	(10.5)	(2.2)	3.1	3.2	4.2	2.2

Source: US Census Bureau (tax revenue), analysis by the author.

TABLE A9

Preliminary State Government Tax Revenues in the Second Quarter of 2023, by State

Nominal percentage change, 2023 Q2 versus 2022 Q2

State/region	PIT	CIT	Sales	Total
US (median)	***(20.8)***	***2.9***	***2.6***	***(8.3)***
US (average)	***(28.7)***	***(10.1)***	***2.0***	***(14.2)***
New England	**(25.6)**	**(0.8)**	**1.7**	**(9.9)**
Connecticut	(26.8)	(5.0)	4.4	(14.3)
Maine	(21.6)	7.9	(4.2)	(11.3)
Massachusetts	ND	ND	ND	ND
New Hampshire	0.4	5.2	NA	4.9
Rhode Island	(27.2)	(6.9)	(1.7)	(0.3)
Vermont	(27.0)	13.9	6.0	(6.4)
Mideast	**(23.5)**	**1.9**	**2.1**	**(13.5)**
Delaware	17.5	7.5	NA	19.1
Maryland	3.9	16.6	2.6	1.1
New Jersey	(24.6)	(8.2)	2.2	(11.4)
New York	(29.5)	0.7	5.2	(20.5)
Pennsylvania	(19.5)	10.7	(1.9)	(10.6)
Great Lakes	**(12.3)**	**(4.3)**	**0.3**	**(6.2)**
Illinois	(16.1)	(1.8)	1.3	(9.6)
Indiana	(14.0)	(16.4)	0.5	(8.3)
Michigan	(19.7)	4.5	(3.3)	(8.5)
Ohio	(9.8)	NA	1.1	(2.8)
Wisconsin	9.4	(8.8)	3.6	3.8
Plains	**(19.5)**	**14.8**	**1.2**	**(8.6)**
Iowa	(25.7)	(3.0)	(3.7)	(10.6)
Kansas	(25.7)	89.5	(1.9)	(6.1)
Minnesota	(16.2)	2.9	(0.9)	(8.8)
Missouri	(18.2)	8.4	5.1	(9.8)
Nebraska	(22.3)	(14.1)	9.3	(9.9)
North Dakota	(14.1)	42.5	17.4	(2.4)
South Dakota	NA	(26.7)	4.0	4.1
Southeast	**(21.3)**	**11.2**	**1.1**	**(4.2)**
Alabama	(22.6)	(9.2)	1.9	(8.3)
Arkansas	(46.9)	16.8	9.3	(9.2)
Florida	NA	37.6	1.1	7.3
Georgia	(25.4)	(0.5)	2.8	(10.3)
Kentucky	(17.8)	2.9	8.6	(4.4)
Louisiana	5.8	31.5	(14.9)	5.3
Mississippi	(20.8)	(0.4)	3.4	(5.0)
North Carolina	ND	ND	ND	ND
South Carolina	(40.6)	1.0	2.7	(19.2)
Tennessee	NA	(0.1)	3.0	1.1
Virginia	(16.1)	15.6	(7.0)	(10.0)
West Virginia	(0.5)	6.9	3.2	(2.0)
Southwest	**(42.8)**	**32.4**	**8.2**	**(3.9)**
Arizona	(57.8)	42.1	0.4	(27.3)
New Mexico	ND	ND	ND	ND
Oklahoma	(6.0)	17.9	3.3	(5.4)
Texas	NA	NA	9.4	2.1
Rocky Mountain	**(33.8)**	**16.4**	**0.3**	**(19.9)**
Colorado	(35.8)	45.6	0.6	(19.8)
Idaho	(28.4)	(15.6)	(1.9)	(12.4)
Montana	(30.3)	9.9	NA	(31.1)
Utah	(33.7)	(1.5)	(0.4)	(20.3)
Wyoming	NA	NA	9.8	ND

State/region	PIT	CIT	Sales	Total
Far West	**(44.7)**	**(36.8)**	**(1.1)**	**(29.7)**
Alaska	NA	(46.1)	NA	(47.1)
California	(49.5)	(38.5)	(2.5)	(35.1)
Hawaii	(18.2)	(2.4)	4.2	(7.6)
Nevada	NA	NA	ND	ND
Oregon	(5.2)	7.2	NA	(3.1)
Washington	NA	NA	2.8	0.9

Source: Individual state data, analysis by the author.

Notes: PIT = personal income tax; CIT = corporate income tax; NA = not applicable; ND = no data.

Notes

[1] In this report, all the references to inflation-adjusted (or real) revenues and growth rates are based on the adjustments using the GDP price index and relative to the first quarter of 2023.

[2] The author made several adjustments for the first quarter of 2023 and to several previous quarters of tax revenue data reported by the US Census Bureau based on information and data received directly from the states and from the Census Bureau.

[3] In this report, the author uses US Bureau of Economic Analysis regions as the basis of analysis.

[4] The fiscal year in 46 states runs from July 1 to June 30. The fiscal year runs from October 1 to September 31 in Alabama and Michigan, from April 1 to March 31 in New York, and from September 1 to August 31 in Texas.

[5] Chas Alamo, "Why Has Income Tax Withholding Lagged, Despite Job Growth?" California Legislative Analyst's Office, November 16, 2022, https://lao.ca.gov/LAOEconTax/Article/Detail/759.

[6] Office of Governor Gavin Newsom, "More Time to File State Taxes for Californians Impacted by December and January Winter Storms," March 2, 2023, https://www.gov.ca.gov/2023/03/02/more-time-to-file-state-taxes-for-californians-impacted-by-december-and-january-winter-storms/.

[7] Income tax returns are usually due on April 15 in 35 of 41 states that have a broad-based personal income tax. The remaining six states have individual income tax return due dates later than April 15. Those states are Arkansas (May 15), Delaware (April 30), Hawaii (April 20), Iowa (April 30), Louisiana (May 15), and Virginia (May 1).

[8] "Table 6.16D. Corporate Profits by Industry," US Bureau of Economic Analysis, accessed August 5, 2023, https://apps.bea.gov/iTable/?reqid=19&step=3&isuri=1&1921=survey&1903=239.

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