TAX AND INCOME SUPPORTS

Revenue Growth Uneven across States as Fiscal Challenges Loom

State Tax and Economic Review, 2025 Q1

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Data from all states from 2010 to present on tax revenue from the individual income tax, corporate income tax, general sales tax, and motor fuel tax.

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Executive Summary

The recent passage of the One Big Beautiful Bill Act (OBBBA) introduces major changes to federal tax policy and spending, with significant implications for state budgets and tax systems. Forty-seven states have already begun fiscal year 2026, and most did not account for changes in OBBBA that are likely to directly affect their budgets. Given the uncertainty and scale of these federal policy shifts, this report highlights state revenue forecasts for fiscal year 2026. These forecasts offer a snapshot of what states were projecting before the full impact of OBBBA was known.

Overall, state and local tax revenues rose modestly in the first quarter of 2025, increasing 2.0 percent in real terms compared with the same period a year earlier. Local tax revenues posted slight real gains, while state tax revenues grew more robustly, largely due to strong personal income tax collections. More specifically, we find the following:

- **State tax revenue trends varied by source and state:** After adjusting for inflation, personal income tax revenues rose by 6.6 percent in the first quarter of 2025, corporate income taxes were up 2.2 percent, and sales tax revenues declined by 0.4 percent. This marks the eighth consecutive quarter of real declines in sales tax revenue, reflecting a continued shift in consumer spending from taxable goods to untaxed services. The strong growth in personal income tax revenue was largely concentrated in California, New York, and Oregon. In California and New York, the gains were driven by strong stock market performance, while Oregon's growth reflected a rebound from a weak base the previous year due to a large "kicker" rebate.
- **Local government tax revenues showed modest growth:** Revenues from all major sources combined rose by 0.9 percent in real terms. Property taxes were up 1.1 percent, while local sales tax collections declined by 1.3 percent. Though personal and corporate income taxes make up a small share of local revenue, both posted gains during the quarter.
- **Economic indicators showed mixed signals:** Gross domestic product (GDP) grew by 2.6 percent, and consumer spending rose across goods and services—up 1.2 percent for nondurable goods and 3.3 percent for services. Housing prices continued to climb, while the labor market remained soft, with unemployment at 4.1 percent.
- **Modest growth projected for state tax revenues in fiscal year 2026:** The median state is forecasting a 1.7 percent increase, while national growth is expected to be 1.2 percent. Both personal income and sales tax revenues show restrained growth, reflecting the impact of policy changes and local economic conditions.

Trends in State and Local Revenues

State and local tax revenues have seen sustained volatility over the past five years. What began with the economic shock of COVID-19 was followed by massive federal aid, a wave of state tax cuts, and now shifting federal policies.

The initial disruption has turned into persistent fiscal instability. Substantial federal pandemic aid gave states short-term relief, but many then enacted broad income tax cuts that reduced long-term revenue. At the same time, the stock market weakness further strained state tax collections, contributing to revenue weakness in fiscal years 2023 and 2024.

Although most states reported revenue growth in fiscal year 2025, current federal policy actions—including tariffs, tax policy changes, and anticipated federal funding cuts to safety net programs—are creating renewed uncertainty and fiscal pressures for state and local governments.

Table 1 shows real state and local government tax revenues from major sources for the first quarters of 2024 and 2025, as well as cumulative totals for the first three quarters of state fiscal years 2024 and 2025, along with percentage changes.

TABLE 1

State and Local Government Tax Revenue Trends

Millions of dollars, adjusted for inflation

Tax source	2024 Q1	2025 Q1	YOY percent change	Fiscal YTD 2024	Fiscal YTD 2025	YOY percent change
Total state-local major taxes	**$500,553**	**$510,790**	**2.0**	**$1,566,114**	**$1,595,406**	**1.9**
State major taxes	**$270,287**	**$278,479**	**3.0**	**$812,397**	**$817,267**	**0.6**
Personal income tax	122,370	130,491	6.6	356,945	370,531	3.8
Corporate income tax	29,096	29,716	2.1	93,343	88,423	(5.3)
Sales tax	112,558	112,161	(0.4)	343,782	339,788	(1.2)
Property tax	6,264	6,111	(2.4)	18,327	18,525	1.1
Local major taxes	**$230,266**	**$232,311**	**0.9**	**$753,717**	**$778,138**	**3.2**
Personal income tax	11,543	11,705	1.4	32,587	33,286	2.1
Corporate income tax	3,297	3,617	9.7	8,527	9,479	11.2
Sales tax	29,864	29,464	(1.3)	90,405	89,633	(0.9)
Property tax	185,562	187,525	1.1	622,198	645,740	3.8

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

Notes: Q = quarter; YOY = year-over-year, YTD = year to date.

Major findings include the following:

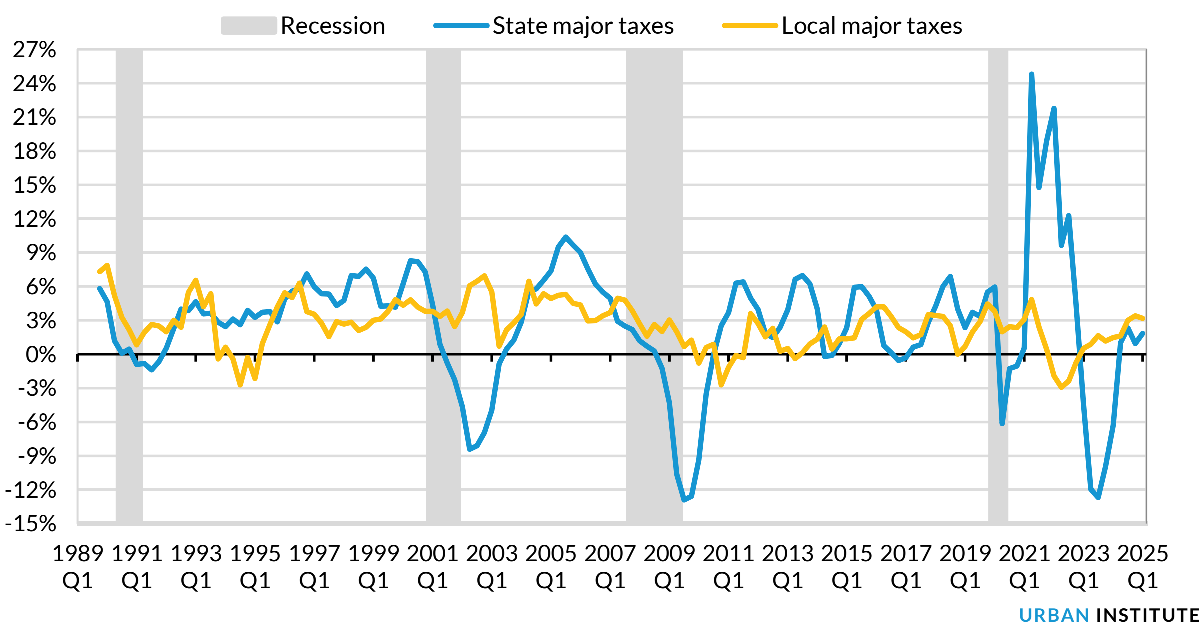
- **State and local government tax revenues** from major sources increased by 2.0 percent in real terms in the first quarter of 2025 compared with the same period a year earlier, while the year-over-year real growth for the first three quarters of fiscal year 2025 was 1.9 percent.

- **State government tax revenues** from major sources grew by 3.0 percent in real terms in the first quarter of 2025 compared with the same period a year earlier. However, over the first three quarters of fiscal year 2025, the year-over-year growth was only 0.6 percent in real terms, reflecting a broader slowdown. **State personal income taxes** rose 6.6 percent in the first quarter of 2025, but only by 3.8 percent over the first three quarters of the fiscal year 2025. **State corporate income taxes** increased by 2.1 percent in the first quarter of 2025 but declined by 5.3 percent in real terms in the first three quarters of fiscal year 2025. **State sales taxes** fell 0.4 percent in real terms in the first quarter of 2025 and declined by 1.2 percent over the first three quarters of fiscal year 2025.
- **Local government tax revenues** from major sources rose by 0.9 percent in real terms in the first quarter of 2025 compared with the same period in 2024, and by 3.2 percent over the first three quarters of fiscal year 2025. **Local property taxes**, the largest local government revenue source, increased by 1.1 percent in real terms in the first quarter of 2025 and 3.8 percent over the first three quarters of fiscal year 2025. Furthermore, **local sales taxes** declined by 1.3 percent, **local personal income taxes** rose by 1.4 percent, and **local corporate income taxes** increased by 9.7 percent in the first quarter of 2025. However, income taxes remain a relatively minor revenue source for most local governments, concentrated in a few states.

FIGURE 1

State Major Tax Revenues Show Continued Weakness

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



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.

Figure 1 shows the year-over-year percentage change in the four-quarter moving average of real state and local revenue collections from major sources—personal income, corporate income, sales, and property taxes—providing a clearer view of broader revenue trends by smoothing out short-term economic fluctuations and policy changes, such as shifts in income tax filing deadlines. By this measure, real state tax revenues from major sources increased by 1.9 percent in the first quarter of 2025, while real local tax revenues increased by 3.2 percent.

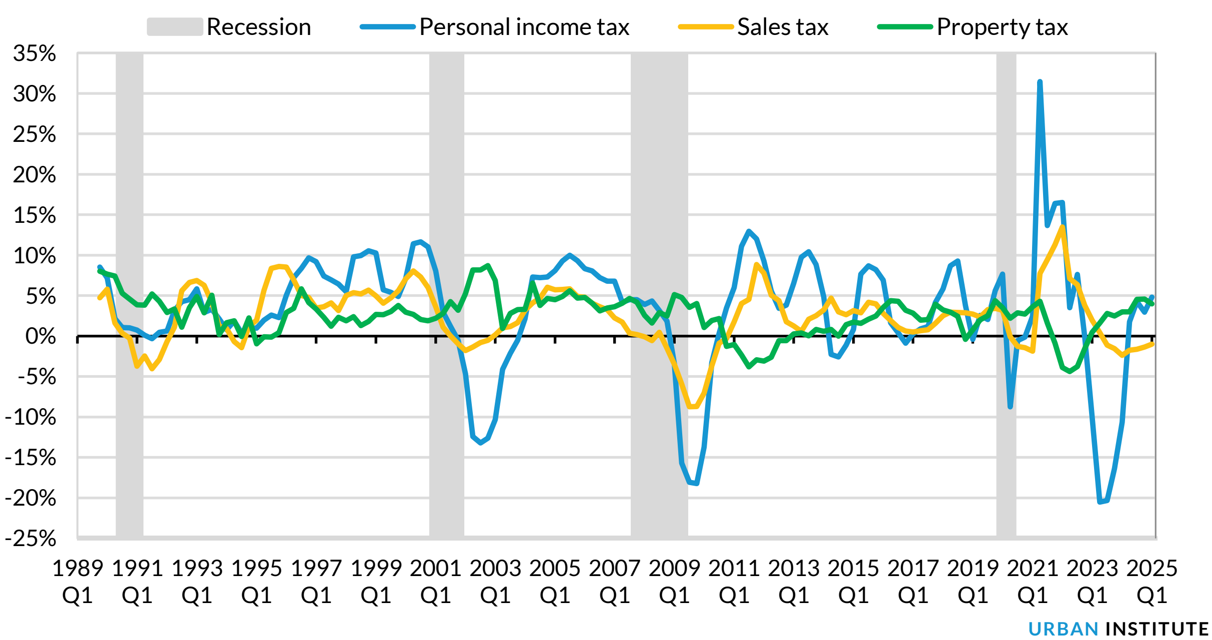
Most local governments rely heavily on property taxes, which tend to respond relatively slowly to changes in property values. Since the COVID-19 pandemic, commercial property values, particularly for office spaces, have declined, negatively impacting local property tax collections despite rising residential property values. Additionally, higher borrowing costs negatively impacted housing markets overall, potentially reducing 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 increased by 4.8 percent in the first quarter of 2025 compared with the same quarter of 2024, using the four-quarter moving average. Over the same period, real state and local sales tax revenues declined 1.0 percent and real state and local property taxes, the majority of which are collected by local governments, increased by 4.0 percent.

FIGURE 2

State and Local Sales Tax Revenues Continue to Fall

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 2025

Total state government tax revenue collections increased by 5.1 percent in nominal terms and by 2.4 percent in real terms in the first quarter of 2025 relative to a year earlier, according to US Census Bureau data adjusted by the author (table A.1).[1] Looking at major state tax sources, personal income tax revenue grew 6.6 percent year-over-year, and corporate income tax revenue increased by 2.1 percent, both in real terms. In contrast, sales tax collections declined slightly, down 0.4 percent, while motor fuel tax revenues fell by 1.6 percent, also in inflation-adjusted terms.

Table A.1 shows (1) nominal and inflation-adjusted growth in state government tax collections by major source and (2) average quarterly year-over-year growth for the first three quarters of fiscal year 2025. During the first three quarters of fiscal year 2025, total state tax revenues grew by an average of 3.7 percent per quarter in nominal terms and 1.2 percent in real terms.

Revenue performance varied significantly across regions and states in the first quarter of 2025 (table A.2). The Plains and Rocky Mountain regions recorded year-over-year declines in nominal revenue collections, falling by 4.8 and 3.3 percent, respectively. In contrast, all other regions saw nominal growth, with Mideast reporting the strongest year-over-year increase at 11.2 percent, and the Southeast reporting the weakest growth at 0.4 percent.[2]

Thirty states reported year-over-year nominal growth in total state tax revenue collections for the first quarter of 2025, with five states reporting double-digit growth. In contrast, 20 states reported declines in tax revenues, driven in part by state tax rate cuts and other policy decisions.

Overall growth in state tax revenues was weak in the first three quarters of fiscal year 2025. This contrasts with the strong growth observed in prior years, which was driven by factors such as the robust stock market observed throughout 2021, record number of initial public offerings, high inflation rate, increased spending on taxable goods during the COVID-19 pandemic, and the expectation of potential (if unrealized) federal tax hikes (Dadayan 2022a).

In the first three quarters of the fiscal year 2025, total state tax revenues rose 3.7 percent in nominal terms compared with the same period in fiscal year 2024. However, the median state reported a smaller increase of 2.5 percent (table A.3), reflecting a broader trend of uneven and generally sluggish revenue growth across states. The Mideast and New England regions saw the strongest year-over-year gains, at 7.2 and 6.2 percent, respectively. In contrast, the Plains and Rocky Mountain regions reported the weakest growth, at just 0.2 and 0.5 percent, respectively. Nominal tax revenues increased in 38 states and declined in 12 states. Nebraska and New Hampshire were the only states to record a double-digit year-over-year declines, while New York, Oregon, and Vermont reported double-digit growth.

Personal Income Taxes

State personal income tax revenues grew by 9.4 percent in nominal terms and by 6.6 percent in real terms in the first quarter of 2025 compared with the same period in 2024. However, growth in the median state was more modest at 4.6 percent, highlighting uneven gains across states. Over the first three quarters of fiscal year 2025, the average quarterly year-over-year growth in state personal income tax collections was 6.4 percent in nominal terms and 3.9 percent in real terms (table A.1).

Personal income tax revenue trends varied widely across regions and states, even as overall collections grew, largely fueled by stock market gains. The Rocky Mountain and Plains regions posted sharp declines of 9.8 and 7.6 percent, respectively, in the first quarter of 2025. In contrast, all other regions experienced growth, with the Far West, Mideast, Great Lakes, and New England regions reporting double-digit increases (table A.2).

Thirteen states reported year-over-year declines in personal income tax revenues in the first quarter of 2025, with three states—Colorado, Iowa, and Hawaii—experiencing double-digit declines. The sharp drops in Colorado were largely because of Taxpayer's Bill of Rights (TABOR)-linked tax credits, which significantly reduced personal income tax revenues.[3] Personal income tax revenues declined in Iowa largely due to income tax rate cuts, while in Hawaii the decline was primarily driven by a surge in tax refunds, resulting from legislative changes such as an increased standard deduction and updated withholding tables effective January 1, 2025.[4]

State personal income tax collections rose 6.4 percent in nominal terms during the first three quarters of the fiscal year 2025 compared with the same period in fiscal year 2024 (table A.3). Growth in the median state was slightly stronger, at 6.6 percent. Personal income tax revenues increased in 33 states and declined in eight states during this period, with 10 states reporting double-digit gains and two states experiencing double-digit declines. Oregon posted the strongest growth at 22.7 percent, largely driven by a low prior-year baseline resulting from the state's kicker rebate.[5] In contrast, Nebraska and Kentucky recorded the steepest declines at 29.4 and 11.7 percent, respectively, reflecting income tax rate cuts enacted over the past two years.

More broadly, personal income taxes have become more volatile in recent years because an increasing share of income is generated from capital gains instead of wage income. Thus, swings in the stock market, coupled with taxpayer decisions on when to realize capital gains and losses, have contributed to personal income tax collection volatility.

For example, personal income tax revenues saw robust year-over-year growth in the first half of 2022, fueled by robust stock market gains and elevated inflation, which led to bracket creep in many states. However, personal income tax revenues declined over the next five quarters, driven by stock market weakness and compounded by personal income tax rate cuts in several states. Additionally, reductions in personal income tax rates in several states further weakened revenue growth. Moreover, the introduction of new pass-through entity (PTE) taxes also contributed to the slowdown, shifting some revenues from the personal income to the corporate income tax category.

As of now, 37 states have enacted a PTE tax, in part as a workaround to the $10,000 cap on the federal individual income tax deduction for state and local taxes imposed by the 2017 Tax Cuts and Jobs Act (TCJA). Because state and local taxes paid at the entity level are fully deductible as a business expense when calculating federal taxable income, the PTE tax regimes allow certain taxpayers, typically owners of pass-through businesses, to reduce their federal tax liability by shifting the tax payment from the individual to the business level (Dadayan and Buhl 2023).

Table A.7 lists all states that enacted a PTE tax and their respective effective dates. However, state PTE tax structures and rules vary widely, which can create complications, especially for businesses operating across state lines. States also differ in their classification of PTE taxes. Some states treat them as corporate income taxes since they are paid by the business, others as personal income taxes because they apply to pass-through income, and a few classify them as both.

The recent passage of the OBBBA temporarily raises the State and Local Tax (SALT) deduction cap from $10,000 to $40,000 per filer for tax years 2025 through 2029, while maintaining the federal deductibility of PTE taxes. This expanded cap will lower federal tax bills for some high-income filers without directly affecting state revenues.

To better understand the underlying trends in personal income tax collections, we examine four key components: withholding, quarterly estimated payments, final payments, and refunds. Table 2 summarizes the growth trends for each component over the past seven quarters.

TABLE 2

Growth in State Government Personal Income Tax Components

Year-over-year nominal percentage change

	Fiscal Year 2024				Fiscal Year 2025		
Personal Income Tax Components	**2023 Q3**	**2023 Q4**	**2024 Q1**	**2024 Q2**	**2024 Q3**	**2024 Q4**	**2025 Q1**
Withholding	3.4	3.1	5.4	5.5	5.8	7.1	6.3
Estimated payments	(28.2)	52.2	(6.1)	27.6	26.6	(27.9)	10.6
Final payments	10.5	20.6	6.0	5.2	(5.6)	(43.4)	7.1
Refunds	(14.0)	4.5	13.6	6.4	(4.0)	(14.2)	(3.7)
Total	**(2.4)**	**8.8**	**2.0**	**13.6**	**8.9**	**0.7**	**9.2**

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.

Withholding

Withholding is usually a good indicator of the current strength of personal income tax revenue and the economy because it comes largely from wages and salaries and thus 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 significantly affect withholding growth.

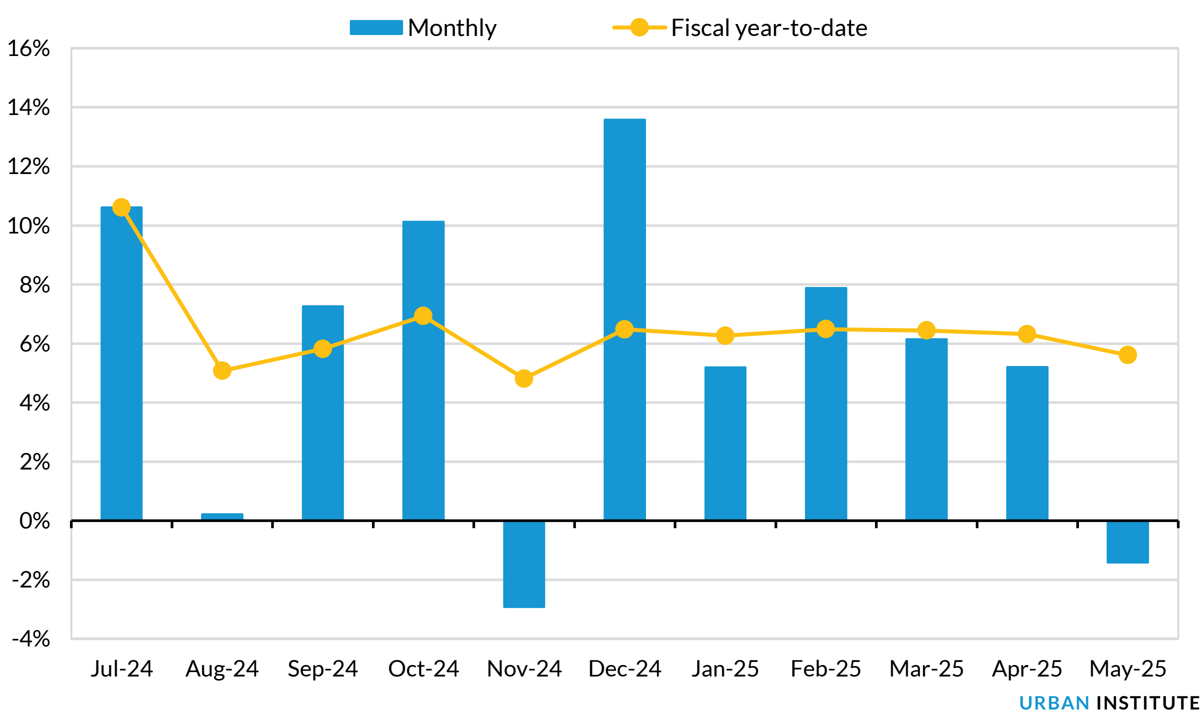
Table A.4 shows year-over-year nominal growth in withholding for the last seven quarters for all states with a broad-based personal income tax. In the first quarter of 2025, growth in withholding was positive across all regions, with a national year-over-year increase of 6.3 percent in nominal terms. The Mideast region led with the strongest year-over-year increase at 9.5 percent, while the Plains region reported the weakest growth at 1.6 percent.

In the first quarter of 2025, 31 out of the 41 states with a personal income tax reported year-over-year growth in withholding. The pace of growth varied significantly: Mississippi and Montana saw growth of under 0.5 percent, while New York recorded the largest increase at 11.4 percent. Meanwhile, withholding fell in 10 states. Iowa stood out with a double-digit drop, largely due to income tax rate cuts.

FIGURE 3

Solid Growth in Withholding Revenue in Fiscal Year 2025 Despite Monthly Volatility

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.

Figure 3 shows monthly and fiscal year-to-date nominal growth rates in withholding between July 2024 and May 2025, which corresponds to the first 11 months of state fiscal year 2025 in 46 states.[6] 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 growth fluctuated month to month during the first 11 months of fiscal year 2025, with double-digit increases in July, October, and December 2024, and declines in November 2024 and May 2025. Despite this volatility, cumulative growth remained stable, with a 5.6 percent year-over-year increase. States collected around $434 billion in withholding revenue in the first 11 months of fiscal year 2025. Thirty-one states reported year-over-year gains, while 10 saw declines—mostly due to income tax rate cuts enacted in 2024.

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 in April contains a combination of payments related to both 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 more directly related to the current-year income and provide a more accurate, real-time view of the state's economic performance and income tax base. Weakness in these payments may signal declines in nonwage income—such as capital gains or investment earnings—but they can also be volatile, reflecting both taxpayer behavior and shifting expectations in response to tax rules and payment strategies.

In this report, we present the combined estimated payments for April 2024 through January 2025, which correspond to all four payments for tax year 2024. Additionally, we present the combined estimated payments for the April to May 2025 period, largely corresponding to the first estimated payments for tax year 2025 (table A.5).

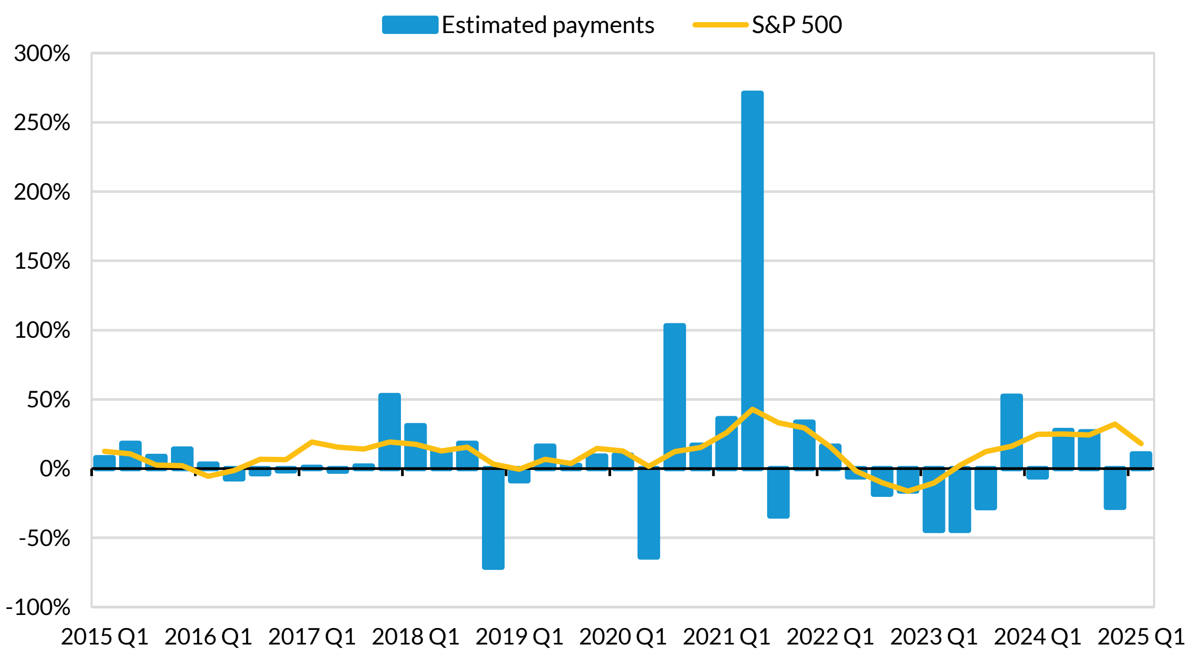
Estimated payments showed mixed performance across states. Among the 38 states with complete data, total estimated payments for tax year 2024 (filed between April 2024 and January 2025) rose by 13.0 percent, though growth in the median state was more modest at 7.8 percent. This was a sharp reversal from the widespread declines seen in tax year 2023, which were largely driven by poor stock market performance. Twenty-six states reported year-over-year growth in all four estimated payments combined. The robust growth in estimated payments was driven by a low prior-year base, as well as strong stock market performance in 2024 and increased capital gains realizations.

Despite the stock market volatility early in 2025, the stock market saw an overall solid performance in the first half of 2025, which is evident in the growth of estimated payments filed in April and May 2025. This led to a year-over-year growth of 13.2 percent in estimated payments during these months, with a median state reporting a 19.1 percent increase.

FIGURE 4

Large Volatility in Estimated Payments

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



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

Figure 4 shows year-over-year quarterly percentage change in estimated payments and S&P 500 Index over the past decade. Estimated payments have shown substantial volatility, driven in part by stock market fluctuations and by taxpayer responses to actual or anticipated federal and state tax policy changes, which affect the timing of capital gains realizations.

Because temporary shifts in payment timing can distort revenue patterns, it is more reliable to focus on combined quarterly figures and longer-term trends. In 2022, estimated payments generally tracked the stock market—rising in the first quarter, then falling over the next three. That trend continued into early 2023, with both declining further. While the stock market began to recover in the second quarter of 2023, estimated payments lagged, only rebounding in the fourth quarter—largely due to delayed filings in California that boosted that quarter's totals.

Estimated payments demonstrated robust growth in the second and third quarters of 2024, closely tracking the stock market's upward trends. However, in the fourth quarter of 2024, estimated payments declined despite continued market gains—largely due to an unusually high prior-year base in California, inflated by a one-time filing deadline delay. Estimated payments resumed growth in the first quarter of 2025, in line with stock market performance.

Final Payments

Final payments typically account for 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 due to the April 15 personal income tax filing deadline.[7] Final payments accounted for 7.6 percent of all personal income tax revenues in the first quarter of 2025.

Table A.6 shows nominal year-over-year growth rates in final payments for two periods: April 2024 through January 2025 and April-May 2025. From April 2024 to January 2025, final payments declined 7.4 percent nationally, while the median state saw a smaller drop of 2.4 percent. This disparity reflects wide variation across states—20 reported declines, while 19 saw growth. The national decline was driven largely by a sharp drop in California, which accounted for over 15 percent of total final payments in 2024, highlighting its outsized impact on national trends.

By contrast, final payments rose sharply in April to May 2025, with a 24.0 percent increase nationally and 20.5 percent in the median state. Only Arkansas and Kansas reported year-over-year declines during this period.

Refunds

By definition, personal income tax refunds to taxpayers represent a reduction in state personal income tax revenues. Refunds are typically a small amount in the third and fourth quarters of the tax year and a much larger amount in the first and second quarters.

In the first quarter of 2025, state personal income tax refund payments fell 3.8 percent compared to the same period in 2024, amounting to roughly $1.6 billion less refunds issued by states. While 17 states reported a decrease in refund amounts during this period, 23 states saw increases. Colorado had the largest drop, issuing $0.4 billion less in refunds than in the first quarter of 2024; that decline was largely driven by smaller TABOR refunds and a state income tax rate.

Actual versus Forecasted Personal lower Income Tax Revenues

We collect and analyze actual and forecasted monthly personal income tax revenue from various states, with forecast data available for 24 states. In table 3, we present the actual income tax revenue data for the first quarters of 2024 and 2025, along with the forecasted values for the first quarter of 2025.

TABLE 3

Actual versus Forecasted State Personal Income Tax Revenues

State	2024 Q1 actual ($ millions)	2025 Q1 actual ($ millions)	2025 Q1 forecast ($ millions)	Percent change, 2025 Q1 vs 2024 Q1	Percentage variance, 2025 Q1 actual from forecast	Forecast date
Median				**5.4%**	**3.9%**	
Average	**$74,834**	**$83,107**	**$88,536**	**11.1%**	**-6.1%**	
Arizona	901	938	912	4.1	2.8	Jan-25
Arkansas	636	668	553	5.2	20.8	Nov-24
California	27,964	31,430	34,387	12.4	(8.6)	May-24
Idaho	476	448	557	(6.0)	(19.6)	Jul-24
Indiana	1,759	1,890	1,675	7.4	12.8	Dec-24
Kansas	1,014	1,001	830	(1.3)	20.6	Nov-24
Maine	381	379	389	(0.6)	(2.6)	Dec-24
Massachusetts	5,419	6,089	5,428	12.4	12.2	Aug-24
Michigan	1,933	2,327	2,468	20.4	(5.7)	Jan-25
Minnesota	3,743	3,498	3,317	(6.5)	5.4	Nov-24
Mississippi	351	300	313	(14.7)	(4.3)	Nov-24
Montana	531	561	485	5.6	15.5	May-24
Nebraska	622	579	641	(6.9)	(9.6)	Feb-25
New Mexico	438	443	364	1.1	21.6	Dec-24
New York	17,497	20,477	24,515	17.0	(16.5)	Jan-25
North Dakota	77	97	88	25.5	10.2	Oct-23
Ohio	1,733	2,077	2,053	19.9	1.2	Aug-24
Oklahoma	688	724	691	5.3	4.8	Feb-25
Pennsylvania	4,548	4,822	4,818	6.0	0.1	Jun-24
Rhode Island	376	391	426	3.8	(8.3)	Nov-24
South Carolina	1,007	1,072	833	6.5	28.7	Feb-25
Vermont	244	282	264	15.3	6.9	Jan-25
West Virginia	461	455	430	(1.3)	5.8	Jul-24
Wisconsin	2,035	2,162	2,099	6.2	3.0	Jan-25

Source: Individual state data, analysis by the author.

In the first quarter of 2025, actual personal income tax collections were lower than forecasted in eight of 24 states. On average states overestimated income tax revenues by 6.1 percent, reflecting weaker-than-expected collections in a few large states. In contrast, the median forecast error was an underestimate of 3.9 percent, indicating that more than half of states collected more than projected (table 3). These discrepancies partly reflect differences in forecast timing—some states update revenue projections monthly, while others revise them only annually. Additionally, the wide variation in actual versus forecasted amounts, particularly in a few states, reflects the influence of fiscal policy changes as well as stock market performance, which can significantly affect revenue performance relative to projections.

Corporate Income Taxes

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 revenues from corporate taxes, and thus large fluctuations in percentage terms might yield little overall budget impact.

Total state corporate income tax revenues rose by 4.8 percent in nominal terms and 2.1 percent in real terms in the first quarter of 2025 compared with the same quarter in 2024 (table A.1). Despite this national growth, the median state saw a 2.0 percent decline. In the first three quarters of fiscal year 2025, state corporate income tax collections declined at an average quarterly year-over-year rate of 2.0 percent in nominal terms and 4.4 percent in real terms.

Regional performance was uneven. The Plains, Rocky Mountain, Great Lakes, and Southeast regions all reported year-over-year declines in state corporate income tax revenue collections in the first quarter of 2025, while the other regions saw growth. The Plains region saw the steepest decline, with revenues down 35.8 percent, followed by the Rocky Mountain region, which posted a 16.4 percent drop. In contrast, the Mideast region recorded the strongest growth, with a 28.2 percent increase in collections.

State-level corporate income tax performance also varied widely in the first quarter of 2025 (table A.2). Twenty-one states reported year-over-year growth, while 24 recorded declines. Overall, 16 states saw double-digit declines, and 12 states reported double-digit growth. The largest dollar gain came from New York, where corporate income tax revenues increased by over $2.2 billion, or 30.8 percent. This sharp increase was driven mainly by stronger-than-expected PTE tax payments. Many taxpayers likely opted to make larger upfront payments in the first quarter of 2025 due to uncertainty about the future of the PTE tax as a SALT workaround, as it was under debate at the federal level.[8] Additionally, pass-through businesses in sectors like financial and professional services reported strong income growth, further boosting PTE tax payments. Excluding New York, corporate income tax revenues declined by 4.2 percent in nominal terms across the rest of the country.

State corporate income tax revenues declined by 2.9 percent year-over-year in nominal terms during the first three quarters of fiscal year 2025. The median state experienced a sharper drop of 6.0 percent. Overall, 17 states reported year-over-year growth, while 28 states saw declines in nominal terms (table A.3).

In the first quarter of 2025, US corporate profits rose by $232 billion, or 6.3 percent, year-over-year,[9] but state corporate income tax revenues did not follow. Recent corporate tax rate cuts, corporate profit shifting strategies, and timing lags dampened revenue growth despite rising profits.

The outlook for corporate income tax collections remains uncertain, shaped by federal policy developments and economic volatility. According to the latest survey by the Conference Board, the Consumer Confidence Index rose by 2.0 points in July 2025, though it remains below levels from a year ago. Despite the slight improvement, consumers continue to express concerns about the tariffs and inflation, which they see as contributing to rising prices.[10]

General Sales Taxes

State general sales tax collections increased by 2.3 percent in nominal terms but declined by 0.4 percent in real terms for the first quarter of 2025 compared with the same period in 2024 (table A.1). Growth in the median state was 2.1 percent in nominal terms. The average quarterly year-over-year growth rate in state general sales tax collections in the first three quarters of fiscal year 2025 was 1.3 percent in nominal terms, but negative 1.2 percent in real terms.

Sales tax collections rose across all regions in the first quarter of 2025 compared with the same period in 2024. The Mideast region posted the strongest year-over-year growth at 4.5 percent, while the Far West region recorded the weakest increase, at just 0.5 percent in nominal terms (table A.2).

Of the 46 states with broad-based sales taxes, 36 reported year-over-year growth in sales tax collections for the first quarter of 2025, while 10 reported declines. Maryland saw the strongest growth at 18.5 percent, followed by Michigan at 9.4 percent. In contrast, Oklahoma reported the largest decline at 10.8 percent, with Iowa close behind at 8.4 percent.

State sales tax revenues rose by 1.3 percent in nominal terms during the first three quarters of fiscal year 2025 compared with the same period in 2024 (table A.3). Year-over-year growth was observed in all regions except the Far West. On a state-by-state basis, eight states reported declines in sales tax revenues, while 38 states saw growth.

Many state officials have expressed concerns about the long-term performance of sales tax revenues, particularly as consumers shift 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.[11]

Motor Fuel Taxes

Motor fuel tax collections increased by 1.0 percent in nominal terms but declined by 1.6 percent in real terms in the first quarter of 2025, compared with the same period in 2024 (table A.1). Year-over-year growth in the median state was just 0.4 percent in nominal terms. In the first three quarters of fiscal year 2025, the average quarterly year-over-year growth rate in state motor fuel tax collections was 2.1 percent in nominal terms, but negative 0.3 percent in real terms.

Motor fuel tax revenue collections showed significant variation across regions and states in the first quarter of 2025. All regions except the Far West and Mideast reported year-over-year growth in nominal terms. The Plains region saw the strongest growth at 9.6 percent, followed by the Rocky Mountain at 4.6 percent. In contrast, collections declined by 3.7 percent in the Far West and 1.7 percent in the Mideast.

Thirty states reported year-over-year growth in motor fuel sales tax collections for the first quarter of 2025, while 20 states saw declines (table A.2). Four states—Alaska, Missouri, New Hampshire, and Utah—reported growth of over 10 percent, whereas Washington recorded a double-digit decline.

State motor fuel sales tax revenues rose by 2.1 percent during the first three quarters of fiscal year 2025 compared with the same period in 2024, with the median state reporting growth at 2.0 percent (table A.3). Thirty-seven states reported year-over-year growth in motor fuel sales tax revenue collections, while 13 states saw declines during the first three quarters of fiscal year 2025.

Fluctuating fuel prices, general improvements in fuel efficiency, the increased purchase of electric and hybrid vehicles, and shifts in driving habits all impact gasoline consumption and motor fuel tax collections, along with changes in state motor fuel tax rates. States also differ in their motor fuel tax structures. In 28 states, the tax is set as a fixed cent-per-gallon rate, while in 22 states, at least part of the tax rate is variable, linked to metrics, such as the price of gasoline, inflation, or other factors.[12]

Oil and gas prices are typically volatile. High prices have largely benefited oil-dependent states, at least in the short-term (Dadayan 2022b). Price increases generally boost motor fuel tax revenues in states with a variable tax rate and that do not enact gas tax holidays or suspend motor fuel tax rate adjustments. Conversely, price decreases have led to weakness in motor fuel tax collections, particularly in 2024, as lower gasoline prices reduced per-gallon tax revenue in states with percentage-based or adjustable tax rates.

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 excise taxes, alcoholic beverage excise taxes, and motor vehicle and operators' license taxes. In table A.8, we present year-over-year growth rates for a four-quarter moving average of inflation-adjusted revenues at the national level. In the first quarter of 2025, states collected $82.6 billion from these combined smaller tax sources, constituting approximately 22.4 percent of total state tax collections.

Compared with major tax sources, revenues from smaller state taxes have seen less volatility. The four-quarter moving average of inflation-adjusted revenues from smaller state tax sources showed a 4.6 percent increase for the first quarter of 2025 compared with the same quarter in 2024. State property taxes, which represent a small portion of overall state tax revenues, increased 1.2 percent. Tax revenues from tobacco product sales declined 9.4 percent, tax revenues from alcoholic beverage sales declined 3.6 percent, while revenues from motor vehicle and operators' licenses increased 2.7 percent. Finally, revenues from all other smaller tax sources increased 6.7 percent.

Preliminary Review of State Tax Revenues in the Second Quarter of 2025

The Urban Institute regularly collects monthly state tax revenue data for all states. Preliminary data from 43 states show continued year-over-year growth in median state tax revenue collections during the second quarter of 2025, with a 5.3 percent increase in nominal terms. Nationally, year-over-year growth in total state tax revenues was 5.9 percent in nominal terms and 3.3 percent in real terms during the second quarter of 2025. In nominal terms, 33 states reported year-over-year revenue increases, while 10 states saw declines during the same period (table A.9).

Personal income tax revenue collections rose by 11.8 percent nationwide in the second quarter of 2025 compared with the same period in 2024, with much of the growth driven by Oregon. Growth in the median state was 9.1 percent in nominal terms. Among individual states, 31 reported year-over-year increases in personal income tax revenue collections, while six states saw declines. The overall growth was primarily driven by gains in nonwithholding income tax revenues, supported by strong stock market performance. April collections in particular reflected capital gains and other investment-related income from 2024 market activity. The S&P 500 index rose by 13 percent in the first half of the calendar year 2025 compared with the same period in 2024.

Corporate income tax revenue collections fell by 1.3 percent nationwide in the second quarter of 2025. The median state saw a steeper drop of 3.7 percent in nominal terms. The downturn was widespread, with 29 states reporting year-over-year decreases in corporate income tax revenues, while only 12 states saw growth.

Finally, state general sales tax revenue collections increased by 3.4 percent in the second quarter of 2025 compared with the same period in 2024. Growth in the median state was 3.6 percent in nominal terms. Thirty-five states recorded year-over-year growth, while three states reported declines. Despite the second-quarter boost, overall sales tax revenue growth remains sluggish.

BOX 1

Forecasts: States Expect Weak Tax Revenue Growth in Fiscal Year 2026

Table 4 presents projected personal income tax, corporate income tax, sales tax, and overall tax collections for fiscal year 2026, alongside the month and year of each forecast issued. These estimates are the most current public projections available as of this report's publication. Importantly, they were largely prepared before the contours of OBBBA were known and may not fully account for its potential fiscal effects.

Forecasts for fiscal year 2026 indicate modest growth in total state revenue collections, with the median state projecting a 1.7 percent increase and a national growth rate of 1.2 percent. Overall, 40 states expect growth in total tax revenues for fiscal year 2026, though only six states anticipate increases exceeding 5.0 percent, suggesting a generally tempered revenue outlook.

Personal income tax revenues are projected to grow by 2.2 percent in the median state and 1.5 percent nationwide in fiscal year 2026. Specifically, 33 states anticipate growth in personal income tax revenue, but only 11 states project increases above 5.0 percent and nine states expect declines. These projected declines are largely attributable to state legislated tax actions.

Corporate income tax revenue forecasts for fiscal year 2026 show a projected median increase of 1.1 percent among states, while the national total is expected to decline by 5.8 percent. Eighteen states anticipate year-over-year declines, while 27 states expect growth—though only nine states project growth above 5.0 percent.

Sales tax revenues are projected to grow by 3.3 percent in the median state and 3.4 percent nationally in fiscal year 2026. Only three states project declines, while most anticipate moderate gains. Just one state projects growth above 5.0 percent, reflecting a generally steady but restrained outlook.

These forecasts offer valuable insights into anticipated state revenue trends. As with any projections, they are subject to revision as new data emerges and the broader economic environment shifts. The variation in outlooks underscores the need to consider not only local economic trends and state policy decisions, but also the evolving impact of federal actions—all of which play a critical role in shaping state fiscal trajectories.

TABLE 4

State Revenue Forecasts for Fiscal Year 2026

Nominal percentage change, fiscal year 2026 versus fiscal year 2025

State/region	PIT	CIT	Sales	Total	Forecast date
US (median)	**2.2**	**1.1**	**3.3**	**1.7**	
US (average)	**1.5**	**(5.8)**	**3.4**	**1.2**	
Alabama	1.3	5.0	3.2	1.0	2/1/2025
Alaska	N/A	11.9	N/A	(3.9)	3/12/2025
Arizona	5.1	3.4	3.3	4.0	4/17/2025
Arkansas	1.7	31.1	1.8	2.3	5/21/2025
California	0.3	(14.5)	3.4	(2.5)	5/10/2025
Colorado	8.4	(18.4)	3.3	3.1	6/15/2025
Connecticut	0.1	(2.7)	0.0	0.4	4/30/2025
Delaware	5.9	(13.1)	N/A	1.1	5/15/2025
Florida	N/A	0.8	3.0	1.9	3/15/2025
Georgia	0.2	(5.4)	2.7	0.4	1/15/2025
Hawaii	(15.9)	10.3	3.8	(3.5)	5/21/2025
Idaho	9.8	12.8	4.4	8.2	1/15/2025
Illinois	1.9	1.2	2.5	1.8	3/15/2025
Indiana	2.3	22.0	3.3	3.3	12/17/2024
Iowa	(13.7)	4.0	3.6	(6.9)	3/15/2025
Kansas	5.0	0.0	(0.3)	1.7	6/5/2025
Kentucky	(3.0)	1.9	3.6	0.5	4/20/2025
Louisiana	(19.2)	(8.6)	14.4	(2.3)	5/21/2025
Maine	(1.1)	2.2	1.1	(1.2)	5/1/2025
Maryland	2.6	0.4	2.4	0.1	3/15/2025
Massachusetts	2.9	(2.6)	3.0	2.2	12/15/2024
Michigan	1.0	33.9	1.5	2.6	5/10/2025
Minnesota	5.0	(3.7)	4.2	2.2	2/15/2025
Mississippi	0.4	(1.9)	0.6	0.4	11/14/2024
Missouri	2.0	2.4	3.2	1.6	1/28/2025
Montana	5.4	3.5	N/A	5.1	4/1/2025
Nebraska	28.6	(22.0)	4.0	8.1	2/2/2025
Nevada	N/A	N/A	2.1	0.1	5/1/2025
New Hampshire	(93.5)	8.0	N/A	(0.2)	2/1/2025
New Jersey	2.7	2.7	5.0	3.4	5/14/2025
New Mexico	3.9	2.9	4.9	2.6	12/1/2024
New York	0.5	(7.8)	2.7	1.9	4/1/2025
North Carolina	(1.5)	(4.0)	4.5	0.2	3/15/2025
North Dakota	6.0	(5.8)	3.5	12.4	1/15/2025
Ohio	4.9	3.9	3.9	3.3	6/17/2025
Oklahoma	(0.2)	(3.5)	(3.5)	(2.7)	6/13/2025
Oregon	7.7	5.2	N/A	7.7	5/14/2025
Pennsylvania	5.1	3.2	2.1	5.1	2/2/2025
Rhode Island	2.5	4.0	2.5	(2.3)	5/16/2025
South Carolina	1.6	(10.0)	2.5	0.3	5/20/2025
South Dakota	N/A	0.3	4.1	2.6	2/1/2025
Tennessee	N/A	0.9	3.5	1.3	11/1/2024
Texas	N/A	N/A	4.9	1.7	1/13/2025
Utah	2.6	2.1	(6.1)	(0.1)	5/20/2025
Vermont	2.9	(4.2)	2.8	1.3	1/22/2025
Virginia	1.1	11.4	4.0	2.6	12/18/2024
Washington	N/A	N/A	3.6	2.8	3/1/2025
West Virginia	(0.2)	(1.4)	3.8	1.1	2/12/2025
Wisconsin	6.9	(12.8)	4.9	3.4	1/29/2025
Wyoming	N/A	N/A	3.2	1.8	1/1/2025

Source: Individual state data, analysis by the author.
Notes: PIT = personal income tax; CIT = corporate income tax; NA = not applicable.

Factors Driving State Tax Revenues

Tax revenues vary across states and over time because of three major factors: changes in the economy (which often differ from state to state), the interaction of economic changes with a state's specific 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

In general, total state tax revenues rise when the state's economy grows, income taxes grow when resident incomes rise, sales taxes rise with increased consumer purchases of taxable items, and property taxes increase with residential, commercial, and industrial property values. However, federal and state policy actions and background conditions can affect these relationships, as during the COVID-19 pandemic and its aftermath, for example.

State Gross Domestic Product

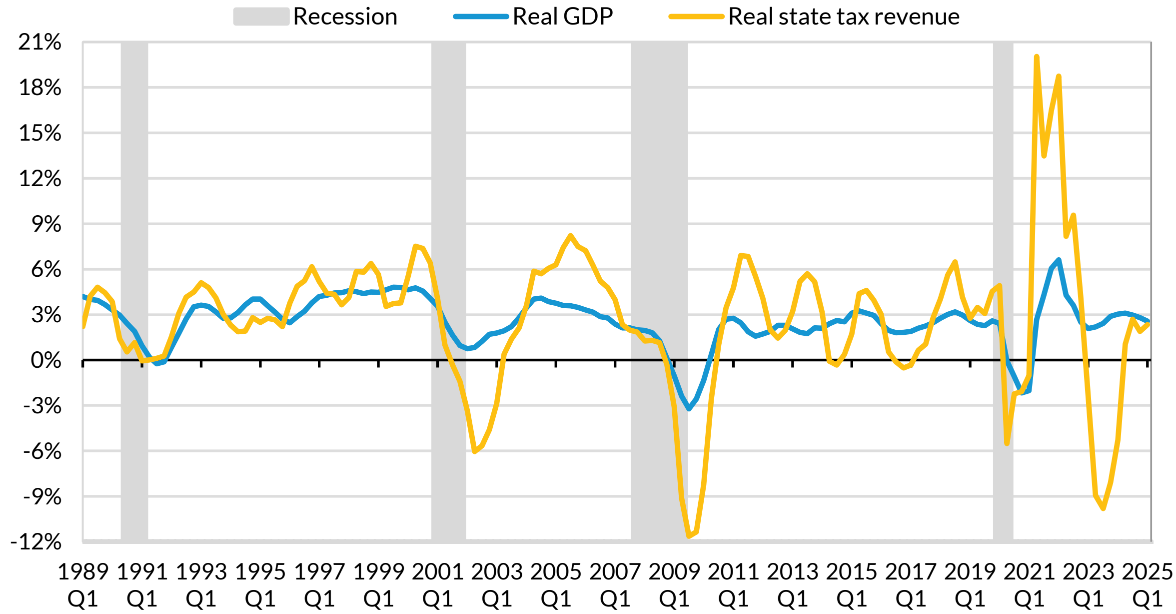
Figure 5 shows year-over-year growth for four-quarter moving averages in real GDP and real state tax revenue. We present moving averages to smooth short-term fluctuations and illustrate the interplay between the state of the economy and state revenues. As shown in figure 5, real GDP growth remained steady since 2023. In contrast, real state tax revenues saw sharp declines from the first quarter of 2023 through the first quarter of 2024, resuming growth since the second quarter of 2024. Year-over-year growth in the four-quarter moving average was 2.6 percent for real GDP and 2.3 percent for real state tax revenues in the first quarter of 2025.

However, 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 due to 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 for the second half of 2020 and all of 2021, when the stock market soared and led to larger capital gains realizations and increases in nonwithholding income tax payments. However, the stock market declined in 2022 and performed weakly for much of 2023. In calendar year 2022, the S&P 500 index recorded an average annual decline of 4.1 percent, a sharp reversal from the robust 32.8 percent annual growth seen in 2021. The market saw a modest rebound in 2023, with a 4.5 percent increase for the year. That rebound gained momentum in 2024, as the index surged 26.7 percent. Despite some early volatility in 2025, performance has remained solid, with the market up 13.5 percent through the first half of the year.

FIGURE 5

State Tax Revenue Is More Volatile Than the Economy

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



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.

States vary substantially in correlations between growth rates in real GDP and real state tax revenues. The relationship between state economic growth and revenue growth has been impacted by state tax cuts implemented over the last three years.

Figure 6 shows each state's four-quarter moving averages in real GDP and real state tax revenues for the first quarter of 2025 compared with the first quarter in 2024. By this measure, real state GDP increased in 46 states, while real state tax revenues rose in only 22 states.

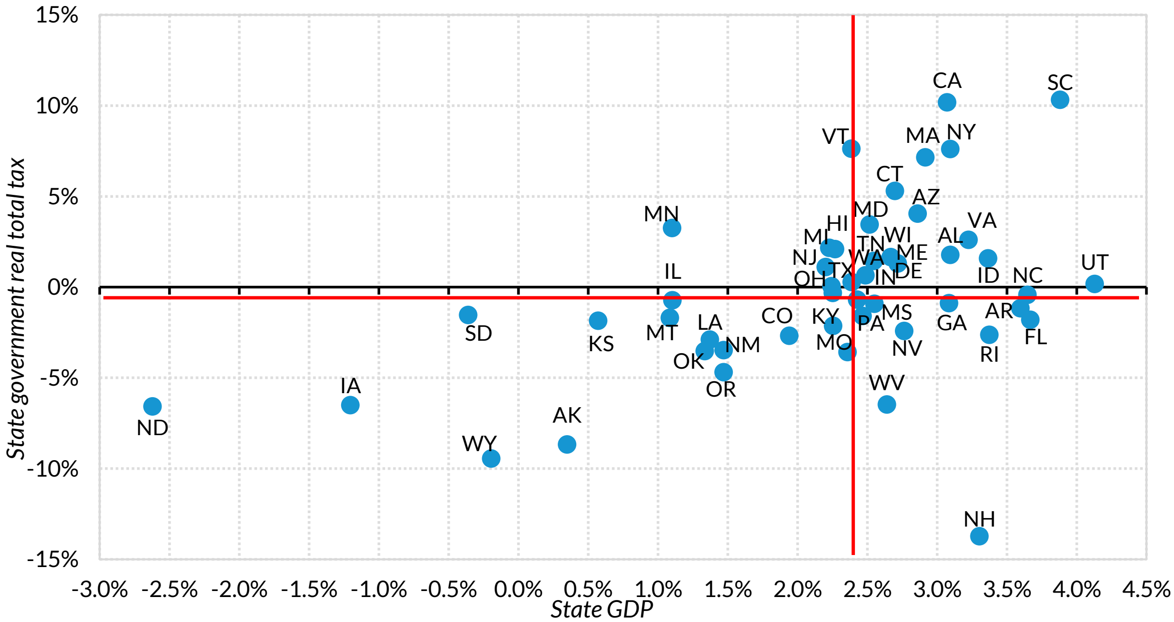
Year-over-year growth in real GDP ranged from just 0.1 percent in Nebraska to 4.1 percent in Utah. Four states—Iowa, North Dakota, South Dakota, and Wyoming—reported declines in real GDP, and all four also saw drops in real state tax revenues. The declines in North Dakota and Wyoming, in particular, reflect their dependence on the energy sector and severance taxes, which are highly sensitive to fluctuations in oil prices (Dadayan and Boyd 2016). Only two states—California and South Carolina—

reported double-digit growth in real state tax revenues, at 10.2 percent and 10.3 percent, respectively. In contrast, Nebraska and New Hampshire experienced double-digit declines.

FIGURE 6

Growth Disparity: State Tax Revenues versus State GDP

Year-over-year percentage change in real state taxes and real GDP, 2025 Q1 versus 2024 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 median. Nebraska is an outlier and is excluded from the figure.

State Unemployment and Employment

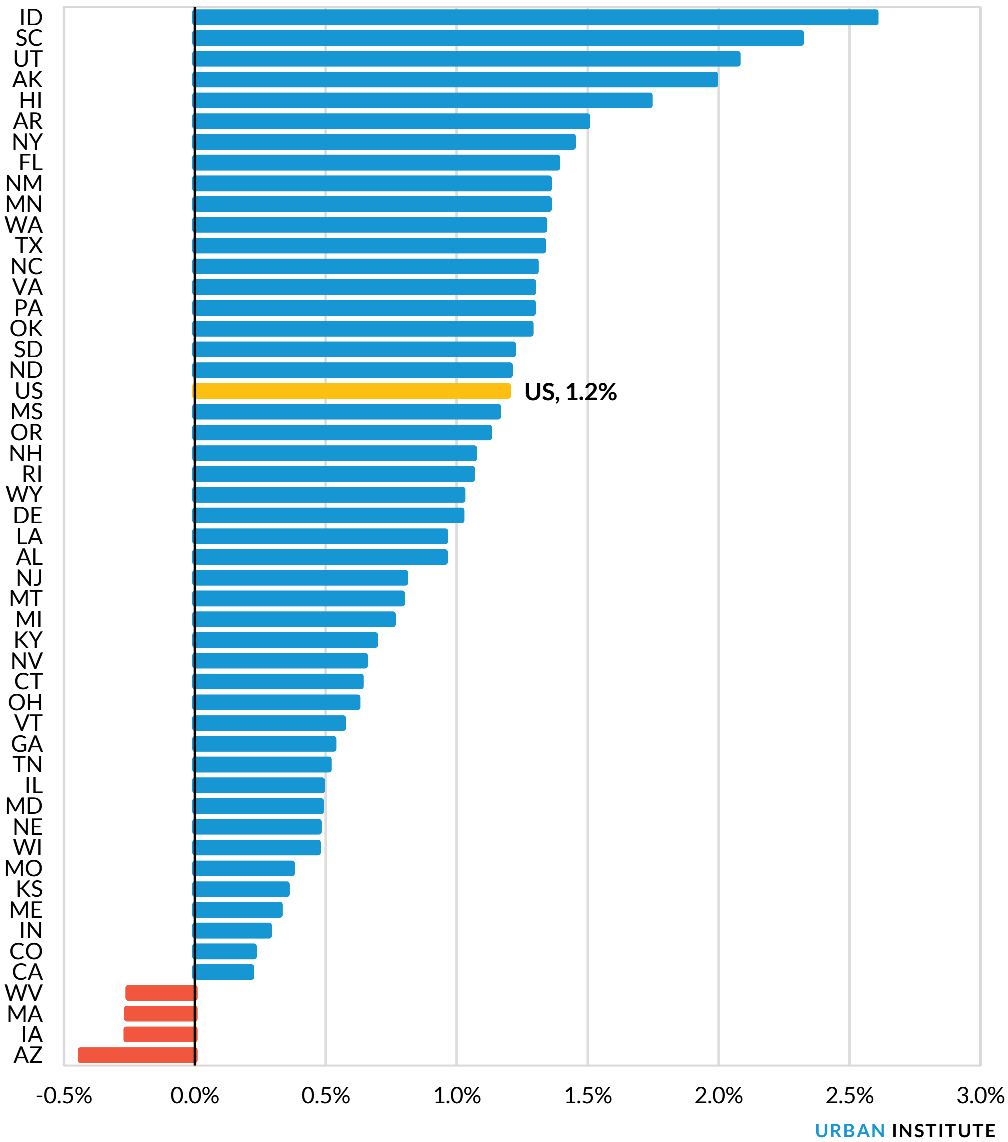
During the first quarter of 2025, state unemployment rates ranged from a low of 1.9 percent in South Dakota to a high of 5.8 percent in Nevada, with notable variation across socioeconomic and demographic groups within states. Compared with the fourth quarter of 2024, unemployment rates increased in 24 states, indicating a broad, though uneven, softening in labor market conditions.

Nationwide employment grew by 1.2 percent in the first quarter of 2025 compared with the same quarter in 2024 (figure 7). Forty-six states experienced year-over-year employment gains during this period, though growth rates varied widely. Employment fell in four states—0.4 percent in Arizona and 0.3 percent in Iowa, Massachusetts, and West Virginia. California and Colorado saw the smallest gains at 0.2 percent, while Idaho posted the largest increase at 2.6 percent.

FIGURE 7

Continued Employment Expansion in the First Quarter of 2025

Year-over-year percentage change in employment, 2025 Q1 versus 2024 Q1



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

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

State and local governments now employ approximately 752,000 more people than they did before the COVID-19 pandemic. In the private sector, recovery has been uneven across industries. For example, the leisure and hospitality sector—one of the hardest hit during the pandemic—has rebounded to employ about 154,000 more workers than in the prepandemic period. Yet the accommodations subsector remains approximately 159,300 jobs below its prepandemic employment level.

Conversely, the trade, transportation, and utilities sectors have seen substantial growth, adding approximately 1.4 million jobs above pre-pandemic levels by June 2025. This increase is largely driven by the boom in e-commerce and heightened demand for logistics and delivery services throughout the pandemic period and beyond.

Despite the overall recovery, the labor market continues to face challenges including staffing shortages in key industries, such as leisure and hospitality, and signs of a cooling job market in others.

Housing Market

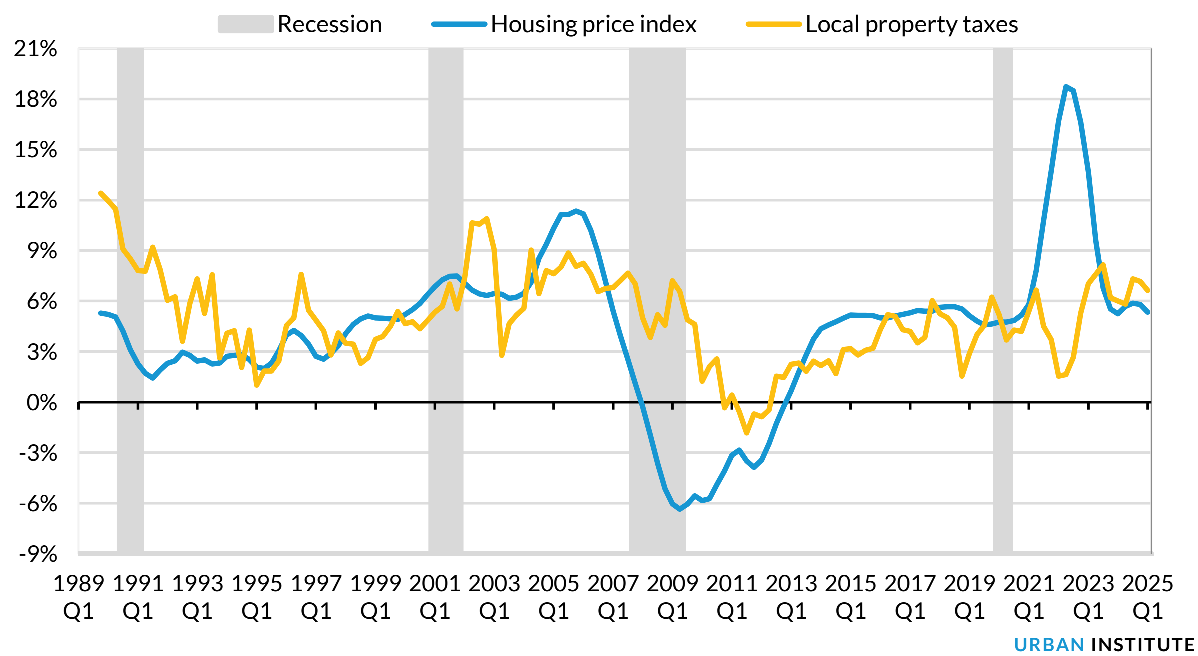
House prices are an important determinant of local property taxes, but assessment lags and assessment caps can delay how quickly house price changes translate into property tax revenue changes. Changes in house prices typically translate into similar movements in property tax revenues, with price declines leading to lower revenues and price gains driving increases.

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 appreciated 5.3 percent for the first quarter of 2025 compared with a year earlier; year-over-year growth in local property taxes was 6.6 percent for the same period, based on four-quarter moving averages.

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



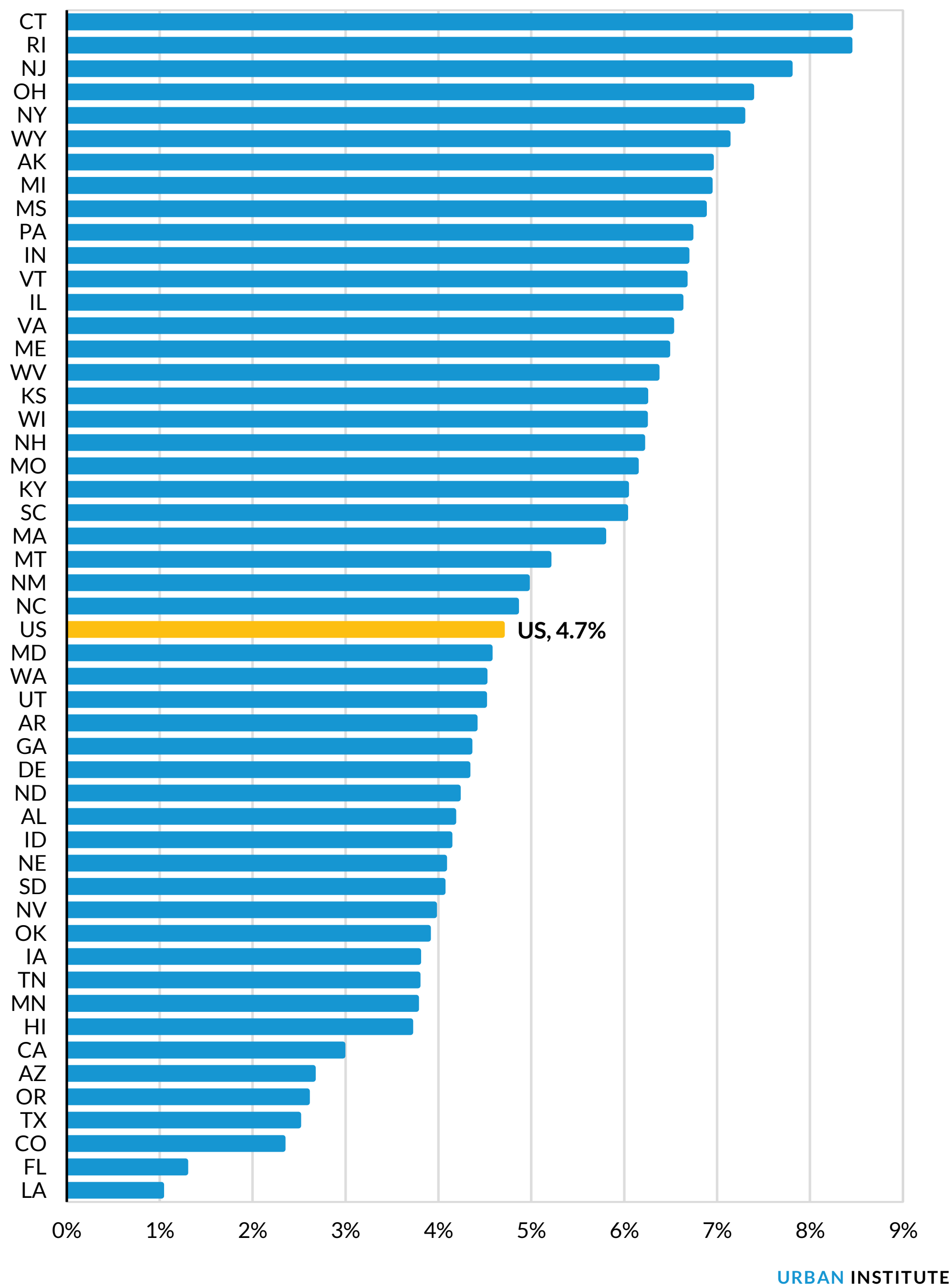
Sources: US Census Bureau (property taxes) and Federal Housing Finance Agency (house price indexes), analysis by the author.
Notes: Year-over-year change is the percentage change of four-quarter moving averages.

Figure 9 shows the year-over-year nominal percentage change in house price indexes for all states in the first quarter of 2025.

FIGURE 9

Housing Prices Rose in Every State in the First Quarter of 2025

Year-over-year percentage change in house prices, 2025 Q1 versus 2024 Q1



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

House prices rose in all 50 states compared with the same period a year earlier. Growth ranged from a modest 1.0 percent increase in Louisiana to a strong 8.4 percent surge in both Connecticut and Rhode Island. This variation highlights the uneven pace of housing market recovery and growth across regions. Nationally, house prices increased by 4.7 percent year-over-year in the first quarter of 2025.

Despite early fears, housing demand surged in the COVID-19 pandemic, driven by factors such as the need for more space, low interest rates, and remote work (Duca and Murphy 2021). However, the pandemic's effect on commercial property values, and consequently on commercial property tax revenues, has been largely negative and continues to be uncertain (Auxier and Brosy 2024).

As business leases come due, many companies are reevaluating their office space needs in terms of both size and location. This has resulted in a rise in commercial property vacancies in numerous urban centers. Additionally, higher borrowing costs for mortgages have weakened home sales due to higher interest rates.

The Fannie Mae Home Purchase Sentiment Index showed a decline in consumer confidence in the housing market in June 2025. The drop was primarily driven by growing concerns about job losses. Persistently high home prices also continue to weigh on consumer sentiment.[13]

Personal Consumption Expenditures

Personal consumption expenditures is a measure of national consumer spending, reflecting the total value of goods and services purchased by American consumers. This metric is correlated with states' general sales tax base and serves as a key indicator of economic activity.

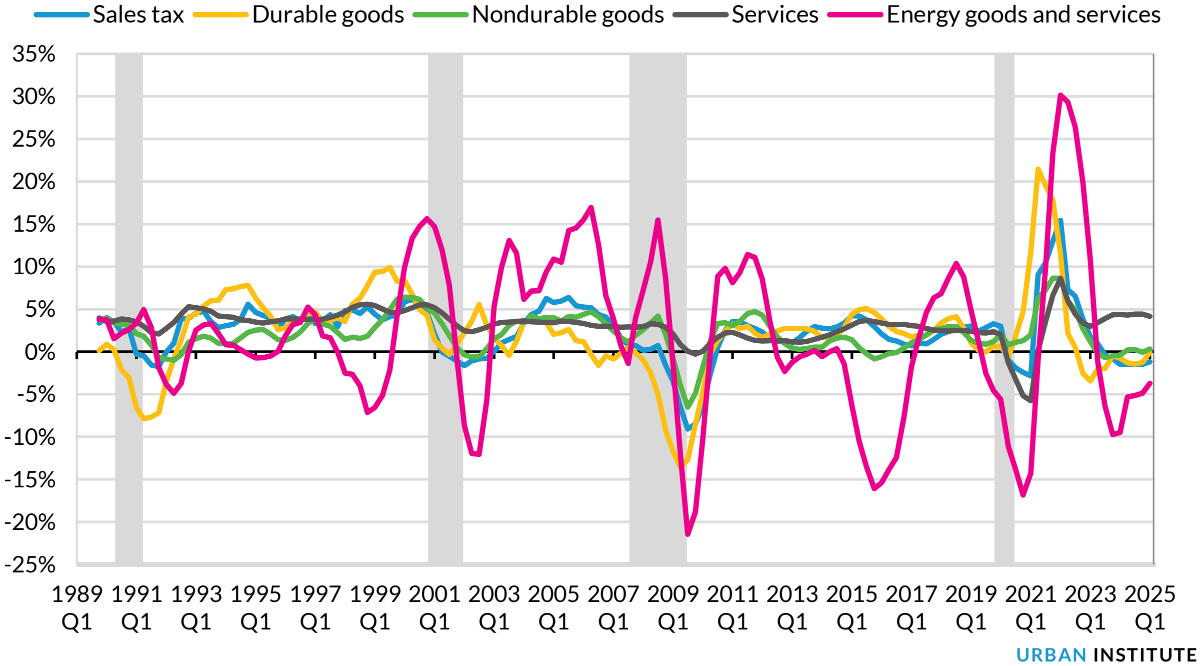
Figure 10 shows the year-over-year percentage change in the four-quarter moving average of inflation-adjusted personal consumption expenditures for services, durable goods, and nondurable goods, as well as aggregate state real sales tax collections. We also show trends in the consumption of energy goods and services.

As shown in figure 10, year-over-year spending on services increased by an average of 4.1 percent in the first quarter of 2025. While spending on both durable and nondurable goods surged during the pandemic, growth has slowed markedly since the second quarter of 2022. In the first quarter of 2025, spending on durable goods declined by 0.1 percent year-over-year—its 10th consecutive quarterly decrease—while spending on nondurable goods rose by a modest 0.3 percent. These trends suggest a continued normalization of consumer behavior, with a shift back toward services and away from goods.

FIGURE 10

Continued Weakness in Spending on Goods in the First Quarter of 2025

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 accounts for approximately one-fifth of total spending on nondurable goods. As shown in Figure 10, after eight consecutive quarters of contraction, real spending on energy goods and services began to rise in the third quarter of 2021—driven largely by significant increases in gas and oil prices—and continued through the first quarter of 2023. However, in the second quarter of 2023, year-over-year spending on gasoline and energy goods fell by 1.1 percent, with sharper declines in the following quarters. By the first quarter of 2025, it had dropped by 3.7 percent year-over-year, marking the eighth consecutive quarterly decline.

Tax Law Changes Affecting the First Quarter of 2025

Anticipated and actual federal policy changes have had a substantial effect on state tax revenues in the last few years. But changes in state tax laws also affect state tax revenue trends. Several states enacted tax changes for the fiscal year 2025.

We present analysis based on data and information retrieved from the National Association of State Budget Officers' Fall 2024 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 often deviate from estimated tax revenues, driven by the performance of underlying economic indicators, and these estimates may not fully account for inflation.[14]

During the first quarter of 2025, enacted tax changes were forecasted to increase state revenues by a net $0.9 billion (this reflects both tax decreases and increases).[15] Overall, tax changes were expected to decrease personal income taxes by $600 million and sales taxes by $143 million. In contrast, corporate income taxes were expected to increase by $1.6 billion due to the enacted state tax changes. Other changes to taxes and fees were forecasted to decrease revenues by approximately $56 million (NASBO 2024). Below, we discuss some of the major enacted tax changes for fiscal year 2025.

The cumulative effect of all tax enacted changes was projected to result in a net increase of $3.9 billion in state revenues for fiscal year 2025. This increase was primarily driven by California's suspension of net operating loss deductions and imposition of a cap on business tax credit utilization, which alone were projected to boost the state's corporate income tax revenues by $5.8 billion in fiscal year 2025.

In contrast, most other states had continued the trend of cutting taxes despite the expiration of federal relief aid and emerging budgetary challenges. Outside of California, enacted state tax changes were estimated to decrease state tax revenues by $2.2 billion in fiscal year 2025. This included some one-time measures, with an estimated impact of $0.6 billion decline in overall state tax revenues in fiscal year 2025. In comparison, legislated tax actions were estimated to decrease state revenues by $13.3 billion in fiscal year 2024 and by $16.2 billion in fiscal year 2023.

Tennessee and Kansas enacted the most substantial tax cuts in terms of total revenue, with estimated net losses of $607 million and $484 million, respectively. Conversely, California and New Jersey enacted the most substantial tax increases, with estimated net gains of $6.2 billion and $1.1 billion, respectively.

For fiscal year 2025, 19 states enacted **personal income tax** cuts, and four states enacted increases. The combined impact of these legislated tax changes was projected to result in an estimated net decrease of personal income tax revenues by approximately $2.0 billion. Kansas was projected to see the most significant revenue decline. In June 2024, the Governor of Kansas approved a bill that introduced several major tax reforms. Key provisions included the exemption of Social Security income from state individual income tax, increases in the standard deduction and personal exemption amounts, and reductions in income tax rates, among other measures.[16] Collectively, these changes were projected to reduce Kansas's personal income tax revenues by approximately $444 million in fiscal year 2025.

Several states, including Arkansas, Georgia, and Iowa, enacted income tax rate cuts that were expected to reduce personal income tax revenue collections in fiscal year 2025. In April 2024, Georgia Governor Brian Kemp signed House Bill 1015 into law, lowering the state's flat personal income tax rate from 5.49 percent to 5.39 percent.[17] This reduction was projected to decrease Georgia's personal income tax revenues by approximately $361 million in fiscal year 2025. In May 2024, Iowa Governor Reynolds signed legislation that replaced the state's progressive income tax system, which had a top rate of 5.7 percent, with a flat individual income tax rate of 3.8 percent.[18] Effective for tax years starting on or after January 1, 2025, this reform was estimated to reduce personal income tax revenues by approximately $335 million in fiscal year 2025. In April 2023, Arkansas officials enacted legislation reducing the state's top personal income tax rate from 4.9 percent to 4.7 percent. Subsequently, further tax cuts were approved in June 2024, lowering the top rate to 3.9 percent, effective January 1, 2024.[19] Collectively, these measures were projected to reduce the state's personal income tax revenues by approximately $313 million in fiscal year 2025.

Thirteen states enacted **corporate income tax** cuts, and four states enacted increases. The combined impact of these legislated tax changes was projected to result in an estimated net increase of corporate income tax revenues by approximately $6.6 billion. The most significant projected net corporate income tax revenue growth rates due to legislated actions were in California, Illinois, and New Jersey. In June 2024, California officials enacted temporary measures to address budgetary challenges, projected to significantly increase corporate income tax revenues. Key provisions include the suspension of net operating loss (NOL) deductions for tax years 2024, 2025, and 2026, prohibiting businesses with taxable income over $1 million from utilizing NOLs. Additionally, businesses are restricted from using tax credits to reduce their tax liability by more than $5 million per year during this period.[20] These measures were estimated to boost California's corporate income tax revenues by approximately $5.8 billion in fiscal year 2025.[21] Officials in New Jersey enacted a series of legislative measures projected to increase the state's corporate income tax revenues by approximately $1 billion in fiscal year 2025. Among these measures was a 2.5 percent Corporate Transit Fee, applicable to corporations with taxable net income exceeding $10 million.[22] In June 2024, Illinois officials enacted a measure limiting the net loss deduction for corporations to $500,000 per year for tax years ending on or after December 31, 2024, and before December 31, 2027. This represented an increase from the previous cap of $100,000, which applied to tax years ending on or after December 31, 2021, and before December 31, 2024. The measure was projected to generate an estimated net gain of $526 million in corporate income tax revenues in fiscal year 2025.[23]

Fourteen states enacted **sales tax** decreases, and six states enacted increases. The net impact of these legislated tax changes was an estimated decrease in national sales tax revenues of $455 million in fiscal year 2025. The most significant projected net sales tax declines due to legislated actions and temporary measures were in Oklahoma and Florida. Oklahoma's Governor Stitt eliminated the sales tax on groceries.[24] This policy change was projected to reduce the state's sales tax revenues by an estimated $290 million in fiscal year 2025. Florida's Governor DeSantis authorized temporary measures, which included four major tax holidays: a freedom month sales tax holiday, a 14-day "back-to-school" sales tax holiday, a one-week skilled workers sales tax holiday, and two 14-day disaster preparedness holidays.[25] These temporary sales tax measures were projected to reduce Florida's states revenues by $219 million in fiscal year 2025.

Eighteen states enacted changes affecting various **other types of taxes and fees**, resulting in an estimated net decrease of $223 million in state tax revenues for fiscal year 2025. These changes were projected to reduce revenues in 13 states while increasing revenues in five states. The most notable legislative changes occurred in Florida, where tax measures were estimated to reduce collections by $144 million, and in Illinois, where tax measures were projected to increase collections by $190 million.

Conclusion

State revenues have become increasingly volatile since the onset of the COVID-19 pandemic, complicating accurate revenue forecasting (Dadayan 2024). While states initially forecasted continued revenue growth for fiscal years 2023 and 2024 (Dadayan 2023a), actual collections fell short—largely due to stock market fluctuations and widespread income tax cuts at the state level.

State tax revenue performance during the first three quarters of fiscal year 2025 revealed mixed results across revenue sources and states. Personal income tax revenue collections posted solid gains in many states, driven by strong stock market performance. In contrast, sales tax revenues remained sluggish, as consumers increasingly shifted spending toward untaxed services. Corporate income tax revenues declined broadly, underscoring ongoing challenges and volatility in this revenue stream. The overall growth in state revenues during the first three quarters of 2025 was modest in most states.

Looking ahead, the fiscal outlook for states is increasingly uncertain, shaped by a mix of state-level tax changes and major federal policy actions. In particular, the OBBBA introduced a broad range of individual and corporate income tax changes and major spending cuts. It also comes against the backdrop of other expected federal spending cuts, which could further strain state budgets.

A few key elements of OBBBA include:

- **Standard Deduction and Itemized Limits**: OBBBA makes permanent the larger standard deduction from the 2017 TCJA and maintains limits on itemized deductions. For most conforming states, this broadens the tax base and boosts personal income tax revenues.
- **Expanded Child Tax Credit (CTC)**: OBBBA permanently increases the federal CTC to $2,200 and indexes it for inflation. While this provides meaningful relief for many families, it reduces revenue in states that tie their tax codes to the federal CTC.
- **SALT Cap and PTE Tax Workarounds:** OBBBA temporarily raises the SALT deduction cap from $10,000 to $40,000 and clarifies the federal treatment of PTE tax workarounds, which continue to be a popular strategy in high-tax states.

Many states are already under budget pressures due to softening revenues after years of tax cuts and the expiration of federal pandemic-era aid. The new tax and spending provisions in OBBBA are likely to add further strain to state budgets, complicating state fiscal planning in the near term.

Appendix: Additional Tables

TABLE A.1

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, Fiscal YTD 2025	**6.4**	**(2.0)**	**1.3**	**2.1**	**3.7**	**2.4**	**3.9**	**(4.4)**	**(1.2)**	**(0.3)**	**1.2**
2025 Q1	9.4	4.8	2.3	1.0	5.1	2.6	6.6	2.1	(0.4)	(1.6)	2.4
2024 Q4	1.0	(13.1)	1.2	4.7	0.8	2.5	(1.4)	(15.2)	(1.2)	2.2	(1.6)
2024 Q3	8.9	2.1	0.3	0.7	5.2	2.2	6.5	(0.1)	(1.9)	(1.5)	2.9
2024 Q2	12.5	9.6	1.4	1.9	7.8	2.6	9.7	6.9	(1.2)	(0.7)	5.1
2024 Q1	1.5	3.7	0.7	6.9	3.0	2.4	(0.9)	1.3	(1.6)	4.4	0.6
2023 Q4	9.0	9.3	1.2	6.6	4.3	2.6	6.2	6.6	(1.4)	4.0	1.7
2023 Q3	(2.6)	(1.2)	1.4	10.6	(1.1)	3.1	(5.6)	(4.2)	(1.7)	7.3	(4.1)
2023 Q2	(27.5)	(10.4)	2.0	7.3	(12.3)	3.4	(29.9)	(13.4)	(1.4)	3.7	(15.2)
2023 Q1	(21.8)	(23.1)	6.6	0.8	(6.6)	5.3	(25.8)	(27.0)	1.3	(4.3)	(11.3)
2022 Q4	(13.1)	(9.7)	7.0	(3.1)	(0.1)	6.5	(18.4)	(15.2)	0.5	(9.0)	(6.2)
2022 Q3	(0.7)	28.9	11.5	(3.4)	7.2	7.3	(7.4)	20.1	3.9	(10.0)	(0.1)
2022 Q2	13.5	42.6	9.5	(1.2)	15.1	7.8	5.4	32.3	1.6	(8.3)	6.8
2022 Q1	24.2	166.9	18.0	10.0	24.3	7.0	16.1	149.4	10.3	2.8	16.2
2021 Q4	28.4	121.4	18.6	8.1	24.2	6.2	21.0	108.5	11.7	1.8	17.0
2021 Q3	(16.6)	(3.0)	12.3	7.7	(0.5)	5.1	(20.6)	(7.7)	6.9	2.5	(5.3)
2021 Q2	75.5	163.0	40.3	27.6	59.1	4.4	68.1	151.9	34.3	22.2	52.3
2021 Q1	18.0	31.2	3.0	(7.3)	9.4	2.5	15.1	28.0	0.5	(9.6)	6.7
2020 Q4	8.9	24.3	3.4	(7.6)	6.1	1.7	7.1	22.3	1.7	(9.2)	4.4
2020 Q3	43.9	61.8	2.9	(4.2)	19.2	1.3	42.0	59.7	1.5	(5.4)	17.6
2020 Q2	(32.9)	(44.3)	(13.4)	(17.9)	(24.8)	0.8	(33.4)	(44.7)	(14.1)	(18.5)	(25.4)
2020 Q1	5.0	(0.8)	3.9	5.2	4.0	1.6	3.3	(2.3)	2.3	3.5	2.4
2019 Q4	6.2	18.7	5.6	8.3	5.6	1.5	4.6	17.0	4.0	6.7	4.0
2019 Q3	4.3	12.7	7.1	6.0	5.6	1.6	2.7	10.9	5.4	4.4	3.9
2019 Q2	18.8	20.9	2.3	3.2	10.4	1.7	16.9	18.9	0.6	1.5	8.6
2019 Q1	(2.4)	40.8	5.5	1.8	2.7	1.9	(4.2)	38.2	3.6	(0.0)	0.8
2018 Q4	(9.2)	12.9	4.4	6.0	(0.1)	2.2	(11.2)	10.5	2.1	3.8	(2.3)
2018 Q3	7.9	26.7	6.2	8.8	8.3	2.4	5.3	23.7	3.7	6.3	5.8
2018 Q2	10.6	17.3	5.3	8.9	9.0	2.5	7.9	14.4	2.7	6.2	6.4
2018 Q1	15.3	(6.7)	5.0	10.9	8.8	2.1	13.0	(8.5)	2.9	8.7	6.6
2017 Q4	14.9	10.4	4.5	9.7	9.3	1.9	12.7	8.3	2.5	7.6	7.2
2017 Q3	4.6	6.5	3.1	2.0	3.9	1.8	2.7	4.6	1.3	0.1	2.1
2017 Q2	(0.0)	11.7	3.2	5.2	2.5	1.6	(1.6)	10.0	1.6	3.6	0.9
2017 Q1	8.9	(28.0)	2.3	0.9	3.5	2.0	6.7	(29.4)	0.4	(1.0)	1.5
2016 Q4	0.3	(3.3)	1.7	1.2	1.2	1.4	(1.1)	(4.6)	0.3	(0.2)	(0.2)
2016 Q3	2.4	(9.1)	2.7	1.4	1.3	0.9	1.6	(9.8)	1.8	0.5	0.4
2016 Q2	(2.8)	(9.3)	1.2	0.3	(1.6)	0.8	(3.6)	(10.0)	0.3	(0.5)	(2.4)
2016 Q1	1.7	(6.0)	1.9	2.9	1.4	0.8	0.9	(6.7)	1.1	2.1	0.7
2015 Q4	5.1	(9.7)	2.7	3.5	2.3	0.8	4.3	(10.3)	1.9	2.7	1.6
2015 Q3	6.5	0.4	3.5	5.0	4.1	0.8	5.6	(0.4)	2.7	4.1	3.3
2015 Q2	14.0	5.6	3.6	2.5	7.0	1.0	12.9	4.5	2.6	1.5	6.0
2015 Q1	6.9	3.5	5.8	4.3	5.5	0.9	5.9	2.5	4.8	3.3	4.5

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

Notes: CIT = corporate income tax; MFT = motor fuel tax; PIT = personal income tax; YOY = year-over-year; YTD = year-to-date.

TABLE A.2

Quarterly State Government Tax Revenue, by State

Nominal percentage change, 2025 Q1 versus 2024 Q1

State/region	PIT	CIT	Sales	MFT	Total
US (median)	***4.6***	***(2.0)***	***2.1***	***0.4***	***1.3***
US (average)	***9.4***	***4.8***	***2.3***	***1.0***	***5.1***
New England	**11.4**	**0.8**	**1.4**	**1.8**	**5.2**
Connecticut	11.8	5.9	2.0	3.2	7.0
Maine	(0.2)	(39.7)	2.6	0.9	(0.1)
Massachusetts	12.3	0.8	0.5	(1.5)	8.2
New Hampshire	NA	(3.4)	NA	13.6	(31.2)
Rhode Island	6.3	(13.3)	1.8	0.7	4.1
Vermont	17.0	17.7	4.0	1.8	14.4
Mideast	**12.3**	**28.2**	**4.5**	**(1.7)**	**11.2**
Delaware	0.2	(1.1)	NA	(3.6)	3.1
Maryland	7.6	(9.6)	18.5	(0.1)	11.4
New Jersey	8.7	52.0	4.1	(1.2)	7.9
New York	17.0	30.8	2.1	(3.1)	16.4
Pennsylvania	2.3	8.4	3.1	(1.7)	2.5
Great Lakes	**10.2**	**(15.3)**	**3.9**	**3.6**	**4.2**
Illinois	6.9	(33.2)	2.7	6.2	1.7
Indiana	4.2	5.4	1.8	3.3	3.0
Michigan	31.1	0.4	9.4	6.9	10.5
Ohio	19.2	NA	3.5	(0.4)	4.6
Wisconsin	6.2	2.1	2.1	2.8	3.8
Plains	**(7.6)**	**(35.8)**	**0.7**	**9.6**	**(4.8)**
Iowa	(16.7)	(60.0)	(8.4)	(1.8)	(13.3)
Kansas	(1.3)	(23.5)	(0.6)	(0.6)	(1.5)
Minnesota	(6.5)	(4.0)	3.7	9.9	(0.9)
Missouri	(9.6)	(12.5)	4.0	26.1	(3.1)
Nebraska	(7.5)	(67.8)	1.3	7.0	(19.2)
North Dakota	33.2	47.2	2.9	2.4	(3.7)
South Dakota	NA	7.4	(1.3)	1.9	(1.7)
Southeast	**1.9**	**(3.5)**	**1.2**	**1.9**	**0.6**
Alabama	4.6	19.6	0.4	(0.0)	3.1
Arkansas	7.1	(16.7)	(1.0)	(4.8)	0.9
Florida	NA	(21.4)	1.3	3.0	0.6
Georgia	5.5	(4.7)	3.7	2.9	3.8
Kentucky	(8.1)	124.4	(2.9)	0.4	(1.2)
Louisiana	(1.6)	(114.6)	8.1	(2.4)	(8.8)
Mississippi	2.4	(11.9)	3.8	3.2	3.9
North Carolina	(1.8)	73.6	(5.6)	2.0	(1.4)
South Carolina	6.5	(12.5)	5.1	(0.4)	0.6
Tennessee	NA	(8.1)	2.9	2.5	0.2
Virginia	4.2	67.7	1.8	6.7	4.2
West Virginia	(1.3)	24.0	0.9	(9.0)	(2.6)
Southwest	**4.5**	**6.4**	**3.9**	**0.1**	**1.4**
Arizona	4.1	(2.0)	2.7	0.4	2.3
New Mexico	1.1	11.0	7.6	(4.4)	(2.6)
Oklahoma	6.5	15.6	(10.8)	0.3	0.0
Texas	NA	NA	5.0	0.5	2.1
Rocky Mountain	**(9.8)**	**(16.4)**	**3.5**	**4.6**	**(3.3)**
Colorado	(21.8)	(20.6)	1.5	(2.7)	(12.0)
Idaho	(6.1)	(12.6)	2.2	3.6	(1.0)
Montana	5.6	5.6	NA	(4.1)	7.9
Utah	5.0	(14.7)	8.3	15.4	6.5
Wyoming	NA	NA	(1.7)	3.5	(3.2)
Far West	**18.5**	**0.8**	**0.5**	**(3.7)**	**9.4**
Alaska	NA	30.5	NA	39.9	(31.1)
California	12.6	2.3	(0.1)	(0.5)	8.4
Hawaii	(10.8)	(135.4)	3.8	(1.8)	(5.9)
Nevada	NA	NA	(1.3)	0.4	(0.4)
Oregon	258.0	(3.4)	3.1	0.4	96.8
Washington	NA	NA	1.8	(28.4)	5.0

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 A.3

State Government Tax Revenue Trends in Fiscal Year-to-Date 2025

Nominal percentage change, fiscal year-to-date 2025 versus fiscal year-to-date 2024

State/region	PIT	CIT	Sales	MFT	Total
US (median)	**6.6**	**(6.0)**	**1.8**	**2.0**	**2.5**
US (average)	**6.4**	**(2.9)**	**1.3**	**2.1**	**3.7**
New England	**11.0**	**(0.5)**	**3.3**	**1.0**	**6.2**
Connecticut	9.0	8.1	3.2	1.3	5.9
Maine	11.8	(9.9)	2.3	2.7	5.5
Massachusetts	11.7	(2.6)	3.7	(0.9)	8.0
New Hampshire	NA	(12.2)	NA	4.2	(16.4)
Rhode Island	10.4	(8.6)	3.1	2.6	4.7
Vermont	13.2	21.3	1.5	0.3	13.0
Mideast	**10.2**	**11.0**	**2.9**	**(3.1)**	**7.2**
Delaware	3.0	19.4	NA	(2.6)	5.2
Maryland	7.8	(0.4)	6.4	0.5	7.7
New Jersey	7.8	0.2	3.5	(0.4)	3.9
New York	14.4	16.9	2.0	(3.8)	10.9
Pennsylvania	1.5	(8.4)	2.5	(4.3)	1.6
Great Lakes	**8.7**	**(11.8)**	**1.3**	**0.9**	**3.9**
Illinois	8.3	(20.6)	1.1	4.9	2.4
Indiana	4.2	(23.2)	1.8	2.0	2.1
Michigan	17.3	(0.4)	2.0	(2.9)	5.8
Ohio	6.6	NA	0.1	(1.8)	5.1
Wisconsin	7.7	3.2	2.5	1.1	5.0
Plains	**5.5**	**(19.9)**	**0.4**	**4.5**	**0.2**
Iowa	(1.3)	(54.6)	0.4	4.0	(4.9)
Kansas	6.6	(9.6)	(1.9)	0.2	1.0
Minnesota	14.6	1.7	0.5	3.0	8.2
Missouri	6.7	(9.1)	1.2	9.8	(1.1)
Nebraska	(29.4)	(40.9)	1.6	2.8	(17.9)
North Dakota	(7.1)	7.2	5.1	1.4	(6.2)
South Dakota	NA	39.0	(1.9)	1.4	0.6
Southeast	**3.1**	**(2.0)**	**1.2**	**6.1**	**2.3**
Alabama	3.8	3.0	0.4	2.2	2.8
Arkansas	3.7	(27.7)	0.7	(5.6)	0.6
Florida	NA	(4.9)	(0.5)	4.6	0.2
Georgia	0.0	(6.6)	3.3	39.2	2.5
Kentucky	(11.7)	81.7	(0.6)	(3.3)	0.4
Louisiana	7.2	(7.6)	1.5	2.0	(1.2)
Mississippi	2.5	(49.8)	2.8	1.6	2.5
North Carolina	3.1	22.5	0.6	2.1	3.5
South Carolina	10.5	14.5	4.2	0.8	8.3
Tennessee	NA	(14.3)	4.2	2.0	2.5
Virginia	7.7	(6.5)	2.1	7.7	5.7
West Virginia	(6.1)	(11.9)	1.7	(2.2)	(1.9)
Southwest	**6.9**	**10.8**	**1.7**	**1.1**	**2.2**
Arizona	10.8	7.9	2.7	1.4	7.6
New Mexico	(4.2)	30.2	4.9	2.3	(0.2)
Oklahoma	8.3	(7.2)	(8.2)	2.9	0.0
Texas	NA	NA	2.0	0.7	1.4
Rocky Mountain	**(0.5)**	**(4.8)**	**2.1**	**1.8**	**0.5**
Colorado	(4.2)	(6.7)	1.4	(6.1)	(2.6)
Idaho	5.3	8.5	3.6	7.0	5.9
Montana	(4.1)	(6.0)	NA	2.1	1.8
Utah	5.1	(14.1)	3.0	7.3	3.7
Wyoming	NA	NA	(2.8)	3.3	(5.2)
Far West	**4.2**	**(11.0)**	**(0.4)**	**0.6**	**3.5**
Alaska	NA	15.8	NA	7.2	(6.8)
California	2.8	(11.2)	(0.3)	2.0	3.0
Hawaii	4.1	(28.4)	1.3	(1.7)	6.1
Nevada	NA	NA	(7.7)	2.1	(1.3)
Oregon	22.7	(5.2)	4.6	2.5	14.3
Washington	NA	NA	1.1	(10.5)	3.9

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	Fiscal Year 2024				Fiscal Year 2025		
	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
US (median)	***3.3***	***3.6***	***4.2***	***5.4***	***5.3***	***6.5***	***4.8***
US (average)	**3.4**	**3.1**	**5.4**	**5.5**	**5.8**	**7.1**	**6.3**
New England	**7.3**	**4.8**	**5.4**	**6.6**	**7.3**	**5.5**	**8.1**
Connecticut	10.4	2.6	(0.3)	2.8	9.7	3.4	7.8
Maine	7.2	5.9	(5.5)	8.2	6.0	6.8	7.9
Massachusetts	7.0	5.8	10.2	8.3	6.3	6.3	8.6
Rhode Island	1.9	3.8	4.6	6.2	11.1	6.5	5.8
Vermont	(2.4)	4.0	3.2	5.4	3.4	4.2	4.8
Mideast	**3.5**	**3.4**	**5.9**	**6.9**	**7.1**	**8.6**	**9.5**
Delaware	8.3	0.7	8.6	9.9	2.7	13.5	6.8
Maryland	4.8	2.5	4.2	8.1	8.7	8.7	9.6
New Jersey	6.3	4.8	6.0	7.0	5.8	7.3	7.2
New York	1.7	3.2	6.6	6.8	8.4	9.7	11.4
Pennsylvania	5.0	4.2	4.1	4.4	2.4	5.5	3.4
Great Lakes	**10.0**	**6.2**	**3.8**	**5.7**	**3.1**	**3.4**	**3.7**
Illinois	16.8	9.6	7.1	14.0	8.7	6.3	6.5
Indiana	16.8	16.1	7.4	(0.6)	(14.3)	(10.4)	(4.5)
Michigan	(0.1)	(0.1)	2.9	5.1	11.5	9.4	5.3
Ohio	5.5	(1.1)	(7.5)	(1.5)	(2.2)	0.0	2.3
Wisconsin	4.8	5.3	6.6	2.5	5.9	8.1	4.8
Plains	**2.2**	**(0.6)**	**4.3**	**3.8**	**3.6**	**6.4**	**1.6**
Iowa	(6.2)	(12.3)	(2.6)	2.1	0.7	1.8	(12.2)
Kansas	9.0	5.5	8.8	9.2	6.3	7.4	9.3
Minnesota	3.3	4.1	6.3	5.1	8.7	8.7	5.0
Missouri	0.2	(4.5)	5.5	3.0	(1.1)	7.9	(1.3)
Nebraska	6.6	3.5	1.2	2.3	(2.0)	(0.4)	1.8
North Dakota	2.3	(26.2)	(18.3)	(25.9)	(17.4)	(4.8)	0.9
Southeast	**0.6**	**0.8**	**1.1**	**3.4**	**2.2**	**3.0**	**2.8**
Alabama	8.4	6.6	3.2	5.1	(0.3)	1.4	6.5
Arkansas	(0.8)	(1.0)	1.1	1.3	(1.1)	(4.1)	(2.5)
Georgia	4.8	4.4	(4.3)	(1.5)	(3.8)	(3.4)	3.0
Kentucky	(0.8)	(7.2)	(7.4)	(10.5)	(10.9)	(7.5)	(1.8)
Louisiana	(2.3)	12.9	(3.5)	9.5	23.3	6.9	(2.8)
Mississippi	(2.8)	(3.4)	(0.5)	4.1	0.6	0.8	0.4
North Carolina	2.8	(0.6)	6.7	5.5	3.1	7.2	(0.0)
South Carolina	(8.3)	(8.0)	3.0	6.4	9.0	7.0	6.8
Virginia	0.4	3.6	6.3	8.5	5.5	7.6	6.5
West Virginia	(13.4)	(13.2)	(13.2)	(2.0)	3.8	6.8	(1.3)
Southwest	**(5.8)**	**(3.1)**	**3.7**	**6.1**	**7.8**	**6.8**	**3.2**
Arizona	(15.5)	(12.6)	0.4	5.6	7.7	7.3	3.8
New Mexico	2.3	9.5	8.2	7.3	7.9	6.2	(0.3)
Oklahoma	5.2	4.9	5.8	6.1	7.9	6.4	4.1
Rocky Mountain	**4.4**	**3.7**	**3.6**	**5.3**	**3.4**	**4.6**	**4.8**
Colorado	3.2	2.8	4.9	6.5	4.9	6.0	5.2
Idaho	13.3	9.4	14.6	14.7	5.3	9.7	6.6
Montana	5.0	10.6	(11.3)	(13.5)	(12.7)	(11.1)	0.4
Utah	3.1	1.3	1.6	5.3	4.7	4.5	4.6
Far West	**1.5**	**3.5**	**9.7**	**5.5**	**9.5**	**11.7**	**8.2**
California	0.8	3.3	10.2	5.1	10.1	12.1	8.8
Hawaii	9.7	6.3	7.4	9.3	4.8	8.3	(3.7)
Oregon	4.5	5.1	5.9	8.1	6.1	8.5	5.7

Source: Individual state data, analysis by the author.

TABLE A.5

State Personal Income Tax Estimated Payments and Declarations

Year-over-year nominal percentage change

State	Tax year 2023 April 2023–January 2024, all 4 payments	Tax year 2024 April 2024–January 2025, all 4 payments	Tax year 2024 April-May 2024 vs April-May 2023	Tax year 2025 April-May 2025 vs April-May 2024
Median	***(25.2)***	***7.8***	***7.5***	***19.1***
Average	**(24.4)**	**13.0**	**11.9**	**13.2**
Alabama	(25.1)	8.1	10.4	65.7
Arizona	(39.9)	1.9	2.9	26.4
Arkansas	(49.6)	9.5	6.3	(11.0)
California	(15.0)	22.8	100.7	12.5
Colorado	(45.2)	13.2	(3.5)	(66.4)
Connecticut	(28.5)	26.2	22.0	22.2
Delaware	(11.0)	(13.8)	12.6	10.5
Georgia	(31.0)	10.2	47.6	(7.1)
Hawaii	(25.8)	0.8	(15.2)	(10.9)
Illinois	(20.4)	17.5	19.0	24.6
Indiana	(37.9)	9.9	7.8	66.2
Iowa	(46.0)	(92.0)	(88.9)	35.3
Kansas	(34.8)	9.2	10.2	(6.3)
Kentucky	(35.3)	(22.4)	(26.9)	(50.8)
Louisiana	(17.2)	(13.1)	(9.0)	5.3
Maine	(8.4)	7.4	(0.9)	36.7
Maryland	(3.8)	1.2	8.4	21.7
Massachusetts	(13.8)	31.7	30.9	17.4
Michigan	(19.3)	11.7	4.2	39.9
Minnesota	(29.3)	5.0	7.8	14.2
Mississippi	(27.8)	10.6	(0.6)	10.2
Missouri	(7.8)	(5.4)	114.8	(47.4)
Montana	(25.4)	(13.1)	(33.6)	1.8
Nebraska	(32.3)	(35.7)	(46.8)	25.5
New Jersey	(22.2)	16.1	18.7	27.6
New York	(41.9)	14.0	9.2	21.6
North Carolina	(37.6)	43.0	9.9	54.4
North Dakota	(45.1)	(15.3)	(37.2)	22.9
Ohio	19.5	(4.0)	(5.2)	22.3
Oklahoma	(22.1)	6.5	2.1	19.8
Oregon	(17.3)	(11.6)	(31.1)	56.4
Pennsylvania	(19.1)	(20.8)	7.3	NM
Rhode Island	(24.2)	7.4	(3.9)	25.4
South Carolina	(38.5)	48.3	331.1	17.4
Vermont	(17.8)	23.0	23.5	14.7
Virginia	(13.5)	52.1	47.0	11.4
West Virginia	(29.1)	(29.1)	(41.5)	19.1
Wisconsin	(18.2)	10.1	9.5	10.5

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. NM = not meaningful.

TABLE A.6

State Personal Income Tax Final Payments

Year-over-year nominal percentage change

State/Region	Tax year 2023 April 2023 – January 2024, all 4 payments	Tax year 2024 April 2024 – January 2025, all 4 payments	Tax year 2024 April-May 2024 vs April-May 2023	Tax year 2025 April-May 2025 vs April-May 2024
Median	***(26.1)***	***(2.4)***	***(2.6)***	***20.5***
Average	**(26.8)**	**(7.4)**	**4.1**	**24.0**
Alabama	(26.6)	4.0	4.0	25.5
Arizona	(52.2)	(17.7)	(16.5)	23.5
Arkansas	(52.8)	6.6	17.5	(24.6)
California	(6.5)	(28.0)	64.0	34.6
Colorado	(31.3)	2.7	22.6	69.2
Connecticut	(37.7)	19.3	21.8	25.8
Delaware	(23.1)	0.7	3.5	13.0
Georgia	(46.2)	(14.8)	(14.1)	5.0
Hawaii	(23.0)	(3.0)	(2.6)	20.0
Idaho	(30.4)	(10.2)	(13.8)	23.0
Illinois	(39.4)	5.3	7.6	28.3
Indiana	(39.6)	4.9	(1.6)	1.3
Iowa	(4.5)	43.3	1.6	20.5
Kansas	(41.8)	(2.9)	(2.6)	(2.9)
Kentucky	(18.6)	(19.2)	(22.2)	15.8
Louisiana	(10.1)	(5.8)	(3.3)	12.1
Maine	(26.1)	2.6	(26.3)	54.5
Maryland	(23.2)	19.2	3.2	19.3
Massachusetts	(39.0)	43.1	54.4	15.3
Michigan	(31.4)	(10.4)	(8.9)	36.3
Minnesota	(24.6)	(3.9)	(6.6)	25.4
Missouri	(61.2)	(2.9)	(33.5)	28.2
Montana	(25.2)	(9.7)	(12.8)	10.0
Nebraska	21.9	(34.4)	(34.3)	0.8
New Jersey	(35.3)	0.8	2.8	18.6
New Mexico	(19.8)	15.1	2.8	21.2
New York	(34.5)	(2.4)	1.6	33.4
North Carolina	(9.8)	(25.3)	(15.8)	3.5
North Dakota	65.2	(30.1)	(24.3)	17.4
Ohio	(1.0)	(36.5)	(31.3)	23.2
Oklahoma	(11.0)	5.0	4.4	14.9
Pennsylvania	(37.8)	27.5	(5.4)	60.6
Rhode Island	(23.3)	1.8	(12.0)	47.4
South Carolina	(29.9)	3.8	9.2	5.2
Utah	(42.3)	(7.2)	(9.5)	19.5
Vermont	(32.4)	12.5	9.6	28.4
Virginia	(15.2)	(30.3)	(16.8)	22.3
West Virginia	49.2	(42.1)	(51.5)	15.1
Wisconsin	(10.0)	4.8	1.0	29.3

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 A.7

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	Tax Year 2023
Idaho	Tax Year 2021
Illinois	Tax Year 2021
Indiana	Tax Year 2022
Iowa	Tax Year 2022
Kansas	Tax Year 2022
Kentucky	Tax Year 2022
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 2022
Montana	Tax Year 2023
Nebraska	Tax Year 2018
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	Tax Year 2022
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 A.8

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
2025 Q1 collections ($ millions)	**$6,111**	**$3,278**	**$1,988**	**$9,520**	**$61,691**	**$82,588**
Average growth, Fiscal YTD 2025	***1.5***	***(9.3)***	***(2.5)***	***3.4***	***6.9***	***4.9***
2025 Q1	1.2	(9.4)	(3.6)	2.7	6.7	4.6
2024 Q4	3.2	(9.0)	(2.0)	4.2	8.0	5.8
2024 Q3	(0.0)	(9.5)	(1.8)	3.4	6.1	4.1
2024 Q2	(0.5)	(10.3)	(2.0)	1.2	1.5	0.5
2024 Q1	(1.3)	(9.8)	(0.8)	0.7	(3.2)	(2.9)
2023 Q4	(2.7)	(10.6)	(1.6)	(0.3)	(1.5)	(2.0)
2023 Q3	(1.6)	(11.0)	(1.4)	(1.7)	4.4	1.9
2023 Q2	0.0	(12.3)	(1.6)	(2.2)	8.1	4.4
2023 Q1	1.3	(13.6)	(3.5)	(5.0)	14.6	8.2
2022 Q4	1.7	(12.6)	(1.6)	(6.2)	10.3	5.2
2022 Q3	1.6	(12.3)	(0.8)	(7.1)	4.3	1.0
2022 Q2	0.6	(9.6)	2.5	(7.3)	7.7	3.4
2022 Q1	2.4	(5.2)	10.4	0.5	12.1	8.0
2021 Q4	2.8	(4.6)	8.7	1.3	13.2	8.9
2021 Q3	4.6	(1.3)	7.8	5.2	14.7	10.8
2021 Q2	5.8	0.9	5.3	7.7	7.6	6.8
2021 Q1	2.1	(0.7)	(5.5)	(3.1)	(5.8)	(4.3)
2020 Q4	2.8	0.7	(5.1)	(2.5)	(6.0)	(4.2)
2020 Q3	2.6	(1.1)	(3.3)	(3.4)	(6.9)	(5.0)
2020 Q2	0.3	(2.5)	(2.3)	(3.0)	(4.6)	(3.7)
2020 Q1	1.3	(3.1)	2.9	2.0	1.4	1.1
2019 Q4	0.4	(4.0)	2.9	1.3	1.6	1.0
2019 Q3	(0.2)	(6.0)	0.3	1.5	3.6	2.0
2019 Q2	5.5	(7.6)	(1.2)	0.9	4.8	2.9
2019 Q1	6.6	(5.4)	(0.5)	4.4	5.5	4.2
2018 Q4	9.1	(5.2)	(1.4)	7.2	5.4	4.7
2018 Q3	8.2	0.9	0.1	4.5	5.5	4.9
2018 Q2	3.7	5.3	1.4	4.8	3.8	4.0
2018 Q1	1.1	4.8	1.2	1.2	3.0	2.7
2017 Q4	(0.5)	6.2	3.0	(0.2)	2.9	2.5
2017 Q3	(1.2)	3.6	3.0	3.8	1.2	1.7
2017 Q2	0.5	1.9	2.3	1.6	0.4	0.8
2017 Q1	3.1	1.3	1.1	2.4	(1.3)	(0.1)
2016 Q4	2.4	1.5	0.5	2.8	(1.6)	(0.3)
2016 Q3	5.0	1.3	0.8	1.1	(2.4)	(0.9)
2016 Q2	4.2	0.7	1.7	2.6	(1.7)	(0.3)
2016 Q1	5.1	1.8	2.7	2.3	(1.2)	0.1
2015 Q4	8.8	0.2	1.6	2.9	(0.9)	0.5
2015 Q3	6.2	(0.7)	1.4	1.7	(0.3)	0.5
2015 Q2	5.3	(2.0)	1.7	1.3	(0.5)	0.1
2015 Q1	4.4	(3.9)	(0.1)	1.3	(0.2)	(0.0)

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

Notes: Q= quarter, CY = calendar year.

TABLE A.9

Preliminary State Government Tax Revenues in the Second Quarter of 2025, by State

Nominal percentage change, 2025 Q2 versus 2024 Q2

State/region	PIT	CIT	Sales	Total
US (median)	***9.1***	***(3.7)***	***3.6***	***5.3***
US (average)	***11.8***	***(1.3)***	***3.4***	***5.9***
New England	**9.0**	**(7.5)**	**2.8**	**7.6**
Connecticut	ND	ND	ND	ND
Maine	18.2	(12.1)	1.7	8.1
Massachusetts	9.1	(8.1)	2.9	5.7
New Hampshire	(74.9)	(5.3)	NA	24.3
Rhode Island	ND	ND	ND	ND
Vermont	11.4	(1.9)	5.8	11.3
Mideast	**15.5**	**0.7**	**3.8**	**8.5**
Delaware	18.8	(0.6)	NA	8.8
Maryland	ND	ND	ND	ND
New Jersey	14.0	0.5	2.1	6.6
New York	18.2	4.5	4.1	11.8
Pennsylvania	9.2	(12.6)	5.8	3.8
Great Lakes	**12.9**	**(3.3)**	**3.7**	**6.9**
Illinois	13.9	(3.7)	4.1	8.2
Indiana	7.5	(1.9)	4.1	5.3
Michigan	23.3	(6.2)	1.2	7.7
Ohio	16.8	60.6	4.5	7.9
Wisconsin	7.5	(0.3)	4.6	4.4
Plains	**11.2**	**(9.4)**	**1.8**	**1.7**
Iowa	1.0	(39.0)	3.2	(4.3)
Kansas	(1.8)	(3.3)	0.0	(1.7)
Minnesota	7.6	(0.6)	(0.1)	1.7
Missouri	13.7	0.9	2.8	3.1
Nebraska	220.0	(26.7)	7.1	14.9
North Dakota	37.6	28.6	2.5	5.3
South Dakota	NA	(51.3)	0.2	(1.7)
Southeast	**4.5**	**(7.9)**	**3.6**	**1.9**
Alabama	13.6	(0.9)	2.5	6.3
Arkansas	(13.8)	(39.6)	3.4	(6.3)
Florida	NA	(1.9)	1.6	1.9
Georgia	4.7	(15.5)	4.3	1.4
Kentucky	0.1	9.6	3.1	1.9
Louisiana	(6.0)	(14.6)	18.5	(2.6)
Mississippi	0.1	7.3	6.3	3.4
North Carolina	ND	ND	ND	ND
South Carolina	8.1	(5.8)	5.8	5.6
Tennessee	NA	(15.6)	3.8	(2.8)
Virginia	7.9	5.5	5.3	6.2
West Virginia	(2.2)	(28.3)	(3.6)	(4.3)
Southwest	**15.0**	**9.7**	**3.4**	**4.7**
Arizona	18.6	(11.7)	1.8	6.8
New Mexico	ND	ND	ND	ND
Oklahoma	10.6	118.4	(11.4)	13.8
Texas	NA	NA	4.3	3.3
Rocky Mountain	**7.2**	**(0.7)**	**4.6**	**4.1**
Colorado	0.7	(12.3)	1.8	(1.5)
Idaho	14.8	(8.1)	6.1	6.4
Montana	30.9	13.5	NA	8.9
Utah	9.0	28.2	7.3	9.4
Wyoming	NA	NA	ND	ND
Far West	**13.4**	**3.5**	**2.8**	**7.9**
Alaska	NA	(25.5)	NA	(7.0)
California	8.5	4.7	2.0	6.0
Hawaii	(7.7)	(16.5)	6.8	(0.9)
Nevada	NA	NA	ND	ND
Oregon	104.3	(9.6)	NA	76.3
Washington	NA	NA	4.4	3.6

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] The author made several adjustments for the first quarter of 2025 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.

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

[3] See "Economic and Revenue Forecast," Colorado Legislative Council Staff, June 2025, https://leg.colorado.gov/sites/default/files/images/june2025forecastwithcover.pdf.

[4] See "Quarterly Statistical and Economic Report," Hawaii Department of Business, Economic Development & Tourism, May 28, 2025, https://dbedt.hawaii.gov/economic/qser/tax-revenues.

[5] Oregon Department of Revenue, "Oregon 'Kicker' Tax Credit," accessed August 1, 2025, https://www.oregon.gov/dor/programs/individuals/pages/kicker.aspx.

[6] 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.

[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 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] See "FY 2026 NYS Enacted Budget Financial Plan, First Quarterly Update," New York State Division of Budget, July 2025, https://www.budget.ny.gov/pubs/archive/fy26/en/fy26fp-en-q1.pdf.

[9] Table 6.16D. Corporate Profits by Industry," US Bureau of Economic Analysis, accessed August 1, 2025, https://apps.bea.gov/iTable/?reqid=19&step=3&isuri=1&1921=survey&1903=239.

[10] The Conference Board, "US Consumer Confidence Inched Up in July," July 29, 2025, https://www.conference-board.org/topics/consumer-confidence/press/CCI-july-2025.

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