

Changes in the Composition of Tax Collections over Time

State taxation has changed dramatically since 1928. At that time, property taxes were the principal revenue source for states. In 1932, three years into the worst economic crisis in U.S. history, Mississippi became the first state to adopt a general sales tax. Over the next seven years of the Great Depression, 28 states followed its example.¹

Other major changes to state tax systems during the 20th century came in reaction to fiscal rather than economic problems. During the 1960s, there was an expansion of education and health services provided by state governments, and states accordingly found themselves with increasing fiscal responsibilities. By 1971, 10 more states had responded by introducing a general sales tax, and 10 others had introduced a personal income tax. Changes of this magnitude haven't occurred since.²

Trends in the last 38 years are shown in table 1 below where decade averages of tax collections are presented per \$100 of personal income. The general trend is a decline in the amount of state and local tax collections relative to income. Specific movements since 1970 include an increase in the amount personal income taxes contribute to state revenue, and a decrease in the contribution of levies on selective sales (excise taxes) such as taxes on tobacco, alcohol and motor fuels.

Table 1. State-Local Tax Collections Per \$100 Personal Income, FY 1970- FY 2008: Decennial Averages								
	Total			State Taxes				
	Combined	Local	State	General Sales	Selective Sales	Individual Income	Corporate Income	Other
2000s	\$10.52	\$4.22	\$6.30	\$2.04	\$0.95	\$2.20	\$0.37	\$0.72
1990s	\$10.93	\$4.37	\$6.66	\$2.20	\$1.07	\$2.15	\$0.45	\$0.79
1980s	\$11.04	\$4.35	\$6.69	\$2.14	\$1.13	\$1.96	\$0.57	\$0.89
1970s	\$11.88	\$5.13	\$6.74	\$2.05	\$1.59	\$1.56	\$0.56	\$0.98
See below for the full table.								
Source: NCSL calculations based on data from the Bureau of the Census , and the Bureau of Economic Analysis 2009.								

State and local governments collected \$10.75 for every \$100 of personal income earned in the United States in 2008. That is down from the combined total of \$11.31 collected in 1970, and the high of \$12.40 in 1973 (see table 2 below). This decline is most evident in the decade averages of tax collections shown in table 1 above. Changes in the size of local collections account for much of this trend—\$4.22 average local collections for the current decade represent an 18 percent decrease from the average for the 1970s. State collections as a percentage of personal income have dropped 7 percent during that same period.

Since 2000, state and local taxes have equaled an average of \$10.52 for every \$100 of personal income—lower than the decade averages of the 1970s, 1980s and 1990s. By 2009 the average for this decade may come down even farther as tax receipts in fiscal year (FY) 2008 and FY 2009 reflect the current economic slowdown.³

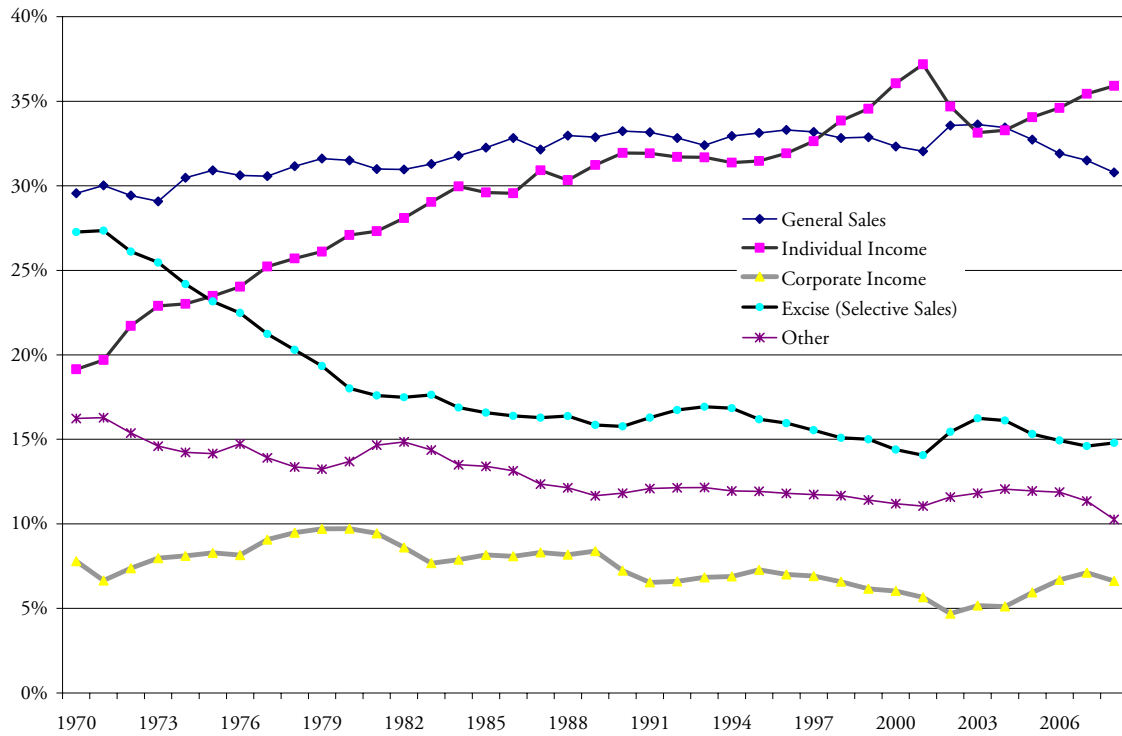
In addition to changes in the size of total state tax collections, changes have taken place during the last 38 years within specific tax categories as well. The largest changes have been in two categories—personal income and selective sales taxes. This can be seen in relation to personal income in table 1 above, and is particularly apparent in figure 1 below which shows the percentages that each tax has contributed to total state tax revenue.

1. *New Realities in State Finance*, pp. 30-31

2. *Ibid.*, pp. 6-7

3. This also depends on how much personal income changes. The effects of previous recessions on tax collections are shown in the table 2 below where tax revenue per personal income dips the first two to three years of the 1980s and 1990s.

**Figure 1. Changes in Collections from Major State Tax Categories:
Percentages of Total Tax Revenue, FY 1970 – FY 2008**



Source: NCSL calculations based on Bureau of the Census data; and NCSL, 2009.

State reliance on excise taxes has steadily declined since 1970. In FY 1970, 27 percent of total state tax collections were derived from excise taxes. That percentage had decreased to 15 percent by FY 2008.

A related and similarly steady rise in the importance of the individual income tax also occurred during this period. Both the graph and table above show the increasing importance of individual income taxes to state revenues since FY 1970.

Collections from individual income taxes increased from 19.1 percent of state tax revenue in FY 1970 to 35.9 percent in FY 2008. In relation to personal income, individual income taxes amounted to \$2.32 for every \$100 of personal income in FY 2008. In 1970 they were \$1.19 per \$100 of personal income.

Table 2. State and Local Tax Collections Per \$100 Personal Income, FY 1970 - FY 2008

Fiscal Year	Total			State Taxes				
	Combined	Local	State	General Sales	Selective Sales	Individual Income	Corporate Income	Other
2008	\$10.75	\$4.29	\$6.46	\$1.99	\$0.96	\$2.32	\$0.43	\$0.66
2007	\$10.73	\$4.27	\$6.46	\$2.03	\$0.94	\$2.28	\$0.46	\$0.73
2006	\$10.81	\$4.25	\$6.56	\$2.06	\$0.97	\$2.24	\$0.43	\$0.77
2005	\$10.64	\$4.35	\$6.29	\$2.07	\$0.96	\$2.14	\$0.38	\$0.75
2004	\$10.39	\$4.32	\$6.07	\$2.04	\$0.98	\$2.02	\$0.31	\$0.73
2003	\$10.25	\$4.26	\$5.99	\$2.01	\$0.97	\$1.99	\$0.31	\$0.71
2002	\$10.19	\$4.16	\$6.03	\$2.02	\$0.93	\$2.09	\$0.28	\$0.70
2001	\$10.52	\$4.08	\$6.44	\$2.06	\$0.91	\$2.40	\$0.36	\$0.71
2000	\$10.38	\$3.96	\$6.42	\$2.08	\$0.92	\$2.31	\$0.39	\$0.72
1999	\$10.47	\$4.05	\$6.42	\$2.11	\$0.96	\$2.22	\$0.40	\$0.73
1998	\$10.42	\$4.05	\$6.37	\$2.10	\$0.96	\$2.16	\$0.42	\$0.73
1997	\$10.50	\$4.10	\$6.39	\$2.12	\$0.99	\$2.09	\$0.44	\$0.76

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Fiscal Year	Total			State Taxes				
	Combined	Local	State	General Sales	Selective Sales	Individual Income	Corporate Income	Other
1996	\$10.52	\$4.13	\$6.89	\$2.29	\$1.09	\$2.21	\$0.48	\$0.81
1995	\$10.65	\$4.22	\$6.98	\$2.31	\$1.13	\$2.20	\$0.51	\$0.83
1994	\$11.46	\$4.61	\$6.85	\$2.26	\$1.15	\$2.16	\$0.47	\$0.82
1993	\$11.43	\$4.66	\$6.77	\$2.20	\$1.15	\$2.15	\$0.46	\$0.82
1992	\$11.35	\$4.69	\$6.66	\$2.18	\$1.12	\$2.12	\$0.44	\$0.80
1991	\$11.15	\$4.61	\$6.54	\$2.17	\$1.06	\$2.09	\$0.43	\$0.79
1990	\$11.33	\$4.59	\$6.74	\$2.24	\$1.06	\$2.15	\$0.49	\$0.80
1989	\$11.41	\$4.55	\$6.86	\$2.25	\$1.09	\$2.14	\$0.58	\$0.80
1988	\$11.43	\$4.57	\$6.86	\$2.26	\$1.12	\$2.08	\$0.56	\$0.83
1987	\$11.30	\$4.50	\$6.80	\$2.19	\$1.11	\$2.10	\$0.57	\$0.84
1986	\$11.05	\$4.37	\$6.68	\$2.19	\$1.10	\$1.97	\$0.54	\$0.88
1985	\$11.12	\$4.34	\$6.78	\$2.19	\$1.12	\$2.01	\$0.55	\$0.91
1984	\$11.20	\$4.35	\$6.85	\$2.17	\$1.16	\$2.05	\$0.54	\$0.92
1983	\$10.60	\$4.25	\$6.35	\$1.99	\$1.12	\$1.84	\$0.49	\$0.91
1982	\$10.52	\$4.12	\$6.40	\$1.98	\$1.12	\$1.80	\$0.55	\$0.95
1981	\$10.79	\$4.20	\$6.59	\$2.04	\$1.16	\$1.80	\$0.62	\$0.97
1980	\$11.00	\$4.26	\$6.74	\$2.12	\$1.21	\$1.83	\$0.65	\$0.92
1979	\$11.37	\$4.46	\$6.91	\$2.19	\$1.34	\$1.80	\$0.67	\$0.92
1978	\$12.09	\$5.01	\$7.08	\$2.20	\$1.44	\$1.82	\$0.67	\$0.95
1977	\$12.16	\$5.17	\$6.99	\$2.14	\$1.49	\$1.76	\$0.63	\$0.97
1976	\$12.01	\$5.17	\$6.84	\$2.09	\$1.54	\$1.64	\$0.56	\$1.01
1975	\$11.75	\$5.09	\$6.66	\$2.06	\$1.54	\$1.56	\$0.55	\$0.94
1974	\$11.94	\$5.16	\$6.78	\$2.07	\$1.64	\$1.56	\$0.55	\$0.96
1973	\$12.40	\$5.43	\$6.97	\$2.03	\$1.77	\$1.59	\$0.56	\$1.02
1972	\$12.24	\$5.51	\$6.73	\$1.98	\$1.76	\$1.46	\$0.50	\$1.04
1971	\$11.50	\$5.26	\$6.24	\$1.87	\$1.71	\$1.23	\$0.41	\$1.02
1970	\$11.31	\$5.07	\$6.24	\$1.84	\$1.70	\$1.19	\$0.49	\$1.01
Decade Averages								
2000s	\$10.52	\$4.22	\$6.30	\$2.04	\$0.95	\$2.20	\$0.37	\$0.72
1990s	\$10.93	\$4.37	\$6.66	\$2.20	\$1.07	\$2.15	\$0.45	\$0.79
1980s	\$11.04	\$4.35	\$6.69	\$2.14	\$1.13	\$1.96	\$0.57	\$0.89
1970s	\$11.88	\$5.13	\$6.74	\$2.05	\$1.59	\$1.56	\$0.56	\$0.98

Source: NCSL calculations based on data from the [Bureau of the Census](#), [Bureau of Economic Analysis](#) and the [National Bureau of Economic Research](#), 2008.

Also shown in table 2 are the effects of changes in the economy on tax collections. Periods of recession (indicated in grey) correspond with decreases in tax collections per \$100 of personal income.