

Taxes and State Revenue

Tax collections are the largest single source of state revenue, but they are not the only source. In fiscal year (FY) 2007, the most recent year for which data are available, state taxes accounted for 38 percent of the \$1.9 trillion in total state revenue. Where the rest of state funds come from is shown in table 1 below.

	Millions of dollars	Percentage of total
Total Revenue	1,992,826	100%
General revenue ¹	1,450,636	73%
Intergovernmental revenue	430,202	22%
Taxes	749,785	38%
Current charges	140,765	7%
Miscellaneous general revenue	129,884	7%
Utility revenue	16,730	0.8%
Liquor store revenue	5,799	0.3%
Insurance trust revenue	519,661	26%
Source: Bureau of the Census, NCSL calculations from Bureau of the Census data, 2008		

Excluding taxes, state revenue comes from three main sources: 1) federal funds—*intergovernmental revenue*, 2) contributions to state benefit programs—*insurance trust revenue*, and 3) the sale of goods and services by state entities—*current charges*, *utility revenue*, and *liquor store revenue*.

Intergovernmental transfers and insurance trust revenue are major parts of state revenue systems—each accounting for more than 20 percent of total state revenue. Intergovernmental transfers mostly include money from federal grants, with a small amount coming to states from local governments. Insurance trust revenue is money coming in for government retirement and social insurance programs—what is contributed to the account by government employees participating in the programs, and net earnings on investments from the fund.² When combined, intergovernmental transfers and insurance trust revenue accounted for more state revenue than did tax collections in fiscal years 2007, 2006, 2005, and 2004.³

States also raise revenue from charges for a number of services, most of which are included in the “current charges” category in table 1 above. Charges for state education and hospital services account for 77 percent of revenue recorded under current charges in FY 2006 (the last year for which data are available). Charges for education services made up 54 percent of the total that year; almost all of it (98.5 percent) from tuition, fees, and charges associated with higher education. Payments for hospital services made up 23 percent of “current charges” revenue in FY 2006.⁴

1. The term “general revenue” as used by the Census Bureau differs from the definition commonly used in state government. The Census Bureau uses the term to include intergovernmental transfers, taxes, current charges, and miscellaneous general revenue — all revenue excluding that from utilities, liquor stores and insurance trust funds. For specifics on census bureau category definitions please see the [2006 Government Finance and Employment Classification Manual](#).

² Insurance trust revenue as reported by the Census Bureau, and accordingly referenced here, does not include government contributions to the fund whether they are contributions by state employers (an expenditure of the state, rather than revenue) or federal grants or tax receipts dedicated to insurance trust funds (already reported in their respective categories of intergovernmental transfers and taxes). For more details see the Bureau of the Census [Classification Manual](#) chapter 4, page 7.

³ From FY 2007 to FY 1995 the relative size of taxes to intergovernmental transfers and insurance trust revenue see-sawed back and forth within close margins. In that period, taxes were a larger percentage of total revenue than were the other two categories in seven fiscal years (2003, 2002, 2001, 1999, 1998, 1996, and 1995). Taxes were a smaller percentage in six fiscal years (2007, 2006, 2005, 2004, 2000, and 1997) Note that intergovernmental transfer revenue exhibited much less fluctuation than insurance trust revenue over this period. See “[New Realities in State Finance](#),” page 9, for a further discussion on this topic. **Source:** NCSL calculations based on data from the Bureau of the Census, [State Government Finances, 1995-2007](#)

⁴ **Source:** NCSL calculations based on data from the Bureau of the Census, [Table 1. State and Local Government Finances by Level of Government and by State: 2005-06](#)

State utility companies and liquor stores are other sources of non-tax revenue. "Utility revenue" is money received by state-owned water, gas, electric and transit companies for sales of goods and services. Similarly, liquor store revenue comes from sales by state (or local)-owned liquor stores—found in 18 states commonly referred to as "control" or "monopoly" states, one county in Maryland, and some cities in Minnesota.

Miscellaneous revenue includes all other non-tax collections by states not attributable to the categories already mentioned. This can include money from fines, sales of state property, and—an increasingly common source over the last 30 years—lottery proceeds