April 2016

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Cool Tip of the Month. Why wait until the By-The-Numbers Newsletter is published to see state revenue trends? FTA frequently updates several charts that provide the latest information on state revenues. The chart at www.taxadmin.org/revenue-survey [log-on required] shows median state growth rates. This chart provides a common benchmark that states can use to compare with their own revenues. That and another chart that plots long-run trends are updated several times a week.

FTA also maintains a list of links to state monthly revenue reports [compiled from a recent listserv question], so users can look up revenue data directly. Look for the links highlighted in blue on the webpage www.taxadmin.org/state-research-links.

Who Does Long-Run Revenue Forecasts

In addition to understanding the current status of the budget, state policymakers need projections on revenues and spending over several years to fully know the implications of current policy. A recent report by the CBPP, Better State Budget Planning Can Help Build Healthier Economies, examines the budgeting process of the states. The report summarizes states’ long-term budgeting practices and outlines good forecasting practices. We look at their analysis of the revenue forecasting.

While policymakers need an understanding of future revenue trends, the accompanying chart shows that many states do not provide long-run forecasts. Only 11 states make revenue forecasts for at least four years into the future. These long-term forecasts allow policymakers to understand possible funding gaps when future revenues trends may diverge from current budget year. It also helps policymakers realize when current revenues may be temporarily high or low. Long-term forecasts can allow policymakers to better understand the implications of tax changes over time, when the impact of a change may take several years to appear or when changes are typically phased in over several years. Another 11 states forecast 3 years beyond the next fiscal year. Meanwhile, more than half of the states create revenue forecasts for less than 3 years.

The report also emphasizes several tenets of good revenue forecasting. These include using a consensus process, transparency on assumptions and methodologies, regularly updating the forecast during the budget process, and preparing multi-year forecasts.

The report provides a good overview of state budget practices. It is available on the CBPP website at http://www.cbpp.org/.

Online Papers

Moody’s Analytics has released three papers that state tax analysis would find useful:

- Mark Zandi, US Macro Outlook: It’s a Job Machine, presents evidence that we should ignore the latest GDP data and focus on employment and wage growth.
- Chris Lafakis, The Oil Rebalancing Act, describes how US shale oil producers have changed the market and predict oil prices will rise to around $50 per barrel before 2017.
- Ryan Sweet, Revisiting Residual Seasonality in GDP, blames issues with seasonal adjustments for much of the low first quarter growth.

Tax Foundation Released two studies on Marijuana Legalization

- Marijuana Legalization and Taxes: Federal Revenue Impact, legalization could generate up to $28 billion in tax revenue.
- Marijuana Legalization and Taxes: Lessons for Other States from Colorado and Washington, provides a good summary of marijuana tax and regulations.

More papers are available on the NEW TaxAdmin.org
No April Surprise

During the past decade, it has become increasingly common for state and federal income tax receipts to see surprising changes in April, as final tax returns and payments are made. These surprises go both ways, with surging payments when a large number of taxpayers realized capital gains, or declines in payments and large refund requests when capital gains decline. The accompanying chart illustrates the latest federal and state income tax receipts for the 4-month income tax processing season. It shows there is no April Surprise this year, with total income tax receipts being flat compared to January-April last year.

Total income tax receipts at the federal level fell by 0.5 percent, while withholding saw solid growth at 4.1 percent. Final and Estimated payments were down by 3.1 percent during the January-April period. Refunds were up 5.2 percent. However, actual refunds could be higher than this amount, since some refunds may have been delayed due to increased fraud filtering this year. The median state data shows a similar trend as the federal data, but with a larger decline in final payments. However, this is based on only 20 income tax states that have reported detail data. FTA will update the state portion of the chart as more states report. See www.taxadmin.org/research [login required] for updates.

Latest Links:

- Atlanta Federal Reserve Banks GDPNow Model Forecasts 1.7% Growth in the Second Quarter
- ADP Report & Data: 156,000 New Employees Added, April 2016
- April ISM Service Sector Index Growth Steady at 55.7% and April ISM Manufacturing Sector Index Falls to 50.8%
- 2016 Presidential Candidates Tax Plan - Summary

More Links are available on the NEW taxadmin.org

Recent Listserv Questions:

- Tax Amnesty Data - 5-10-2016
- Web-Links to Revenue Releases - 5-5-2016
- Taxation of Fuels - 4-25-2016
- Population Forecast Methodologies? - 4-25-2016

view all new listserv responses

Past issues of By-The-Numbers are available on the NEW Taxadmin.org.
Do not want to receive this? Email ron.alt@taxadmin.org

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