Revenue Misbehavior

EXPLAINING SECULAR AND CYCLICAL CHANGES TO STATE TAX BASES

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Why our revenue expectation are challenging.

“We drive into the future using only our rearview mirror.”

-----Marshall McLuhan
Revenue forecast = budget constraint.
Spending management after budget enactment.
Income Tax

STRUCTURAL CHANGE CAUSING CYCLICAL VOLATILITY
Income tax base: Growing but growing more volatile.
Disparate base components appear to be causing problems.
Of course! Wages drive withholdings, . . .
but investment income is subject to large swings.
Sales Tax

UNKNOWN STRUCTURAL CHANGES CAUSING SLOWER GROWTH
Trend in sales tax is exhibiting a growing deviation from income trend.
Is the culprit growth in transfer payment income?
Could it be an aging population with changing consumption patterns?
Or, could it be housing market heft, or lack thereof?
Corporate Tax

BASE EROSION AND CYCLICAL VOLATILITY
Corporate tax base erosion relatively speaking.
What’s happening post-recession?

Corporate Tax Base Share of U.S. Corporate Profits
Increasing volatility and tax policy.
Increasing volatility and tax policy.
Thank you.

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