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State Taxes: What Might the Future Be

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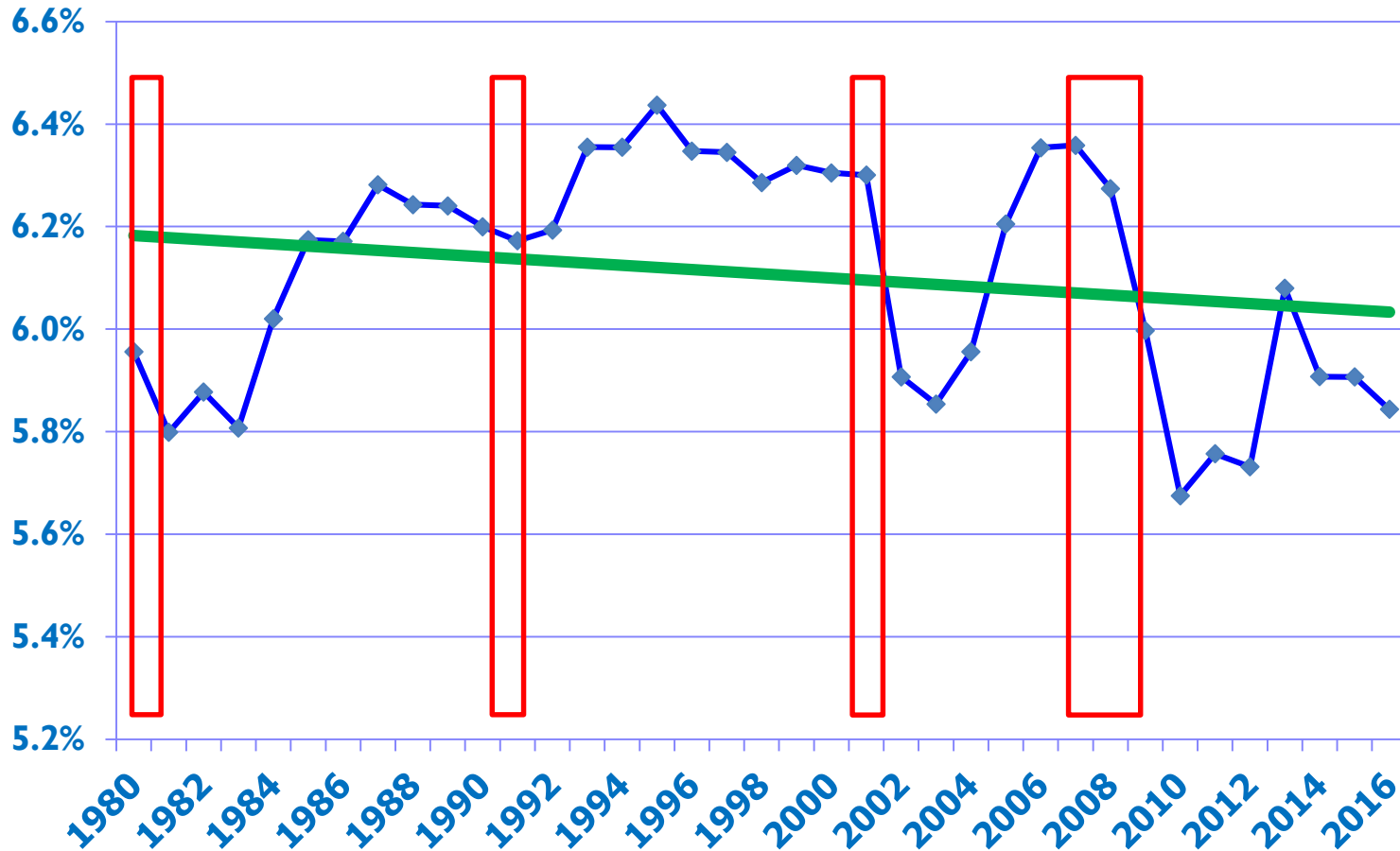
Sjoquist, David, "State Taxes: What Might the Future Be" (2018). *CSLF Presentations*. 4.
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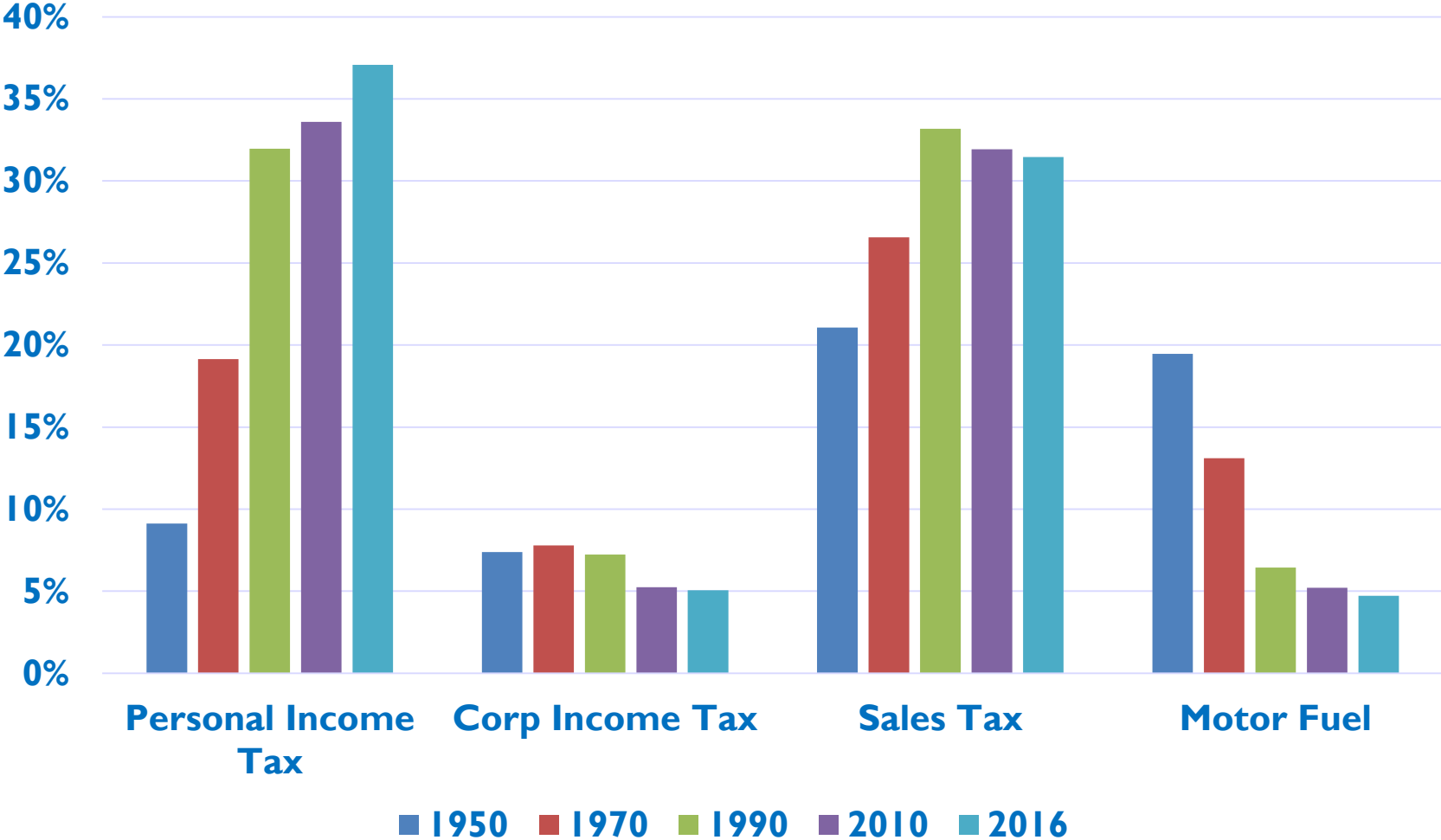
State Taxes: What Might the Future Be

David L. Sjoquist
Public Finance and the New Economy
April 26-27, 2018

State Taxes as a Percentage of Personal Income, 1980-2016



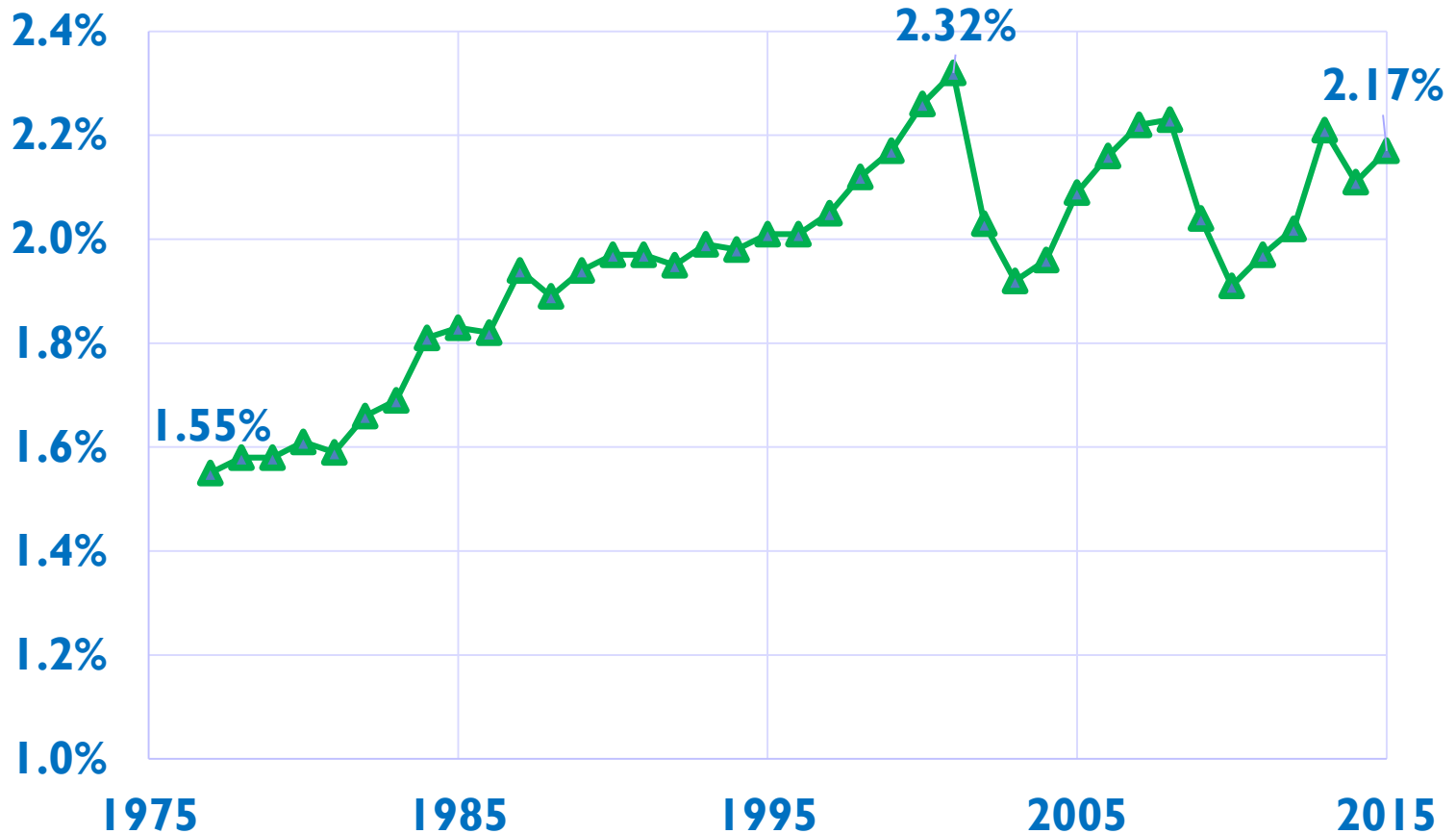
Share of Total Taxes



Personal Income Tax

- Revenue Trends
- Structural Changes
- Impetus for Change

State Income Tax Revenue as a % of Personal Income



- **Structural Changes**

- **Rates and Brackets**
- **Retirement Income**
- **Pass Through Income**
- **Tax Credits**
- **EITC**

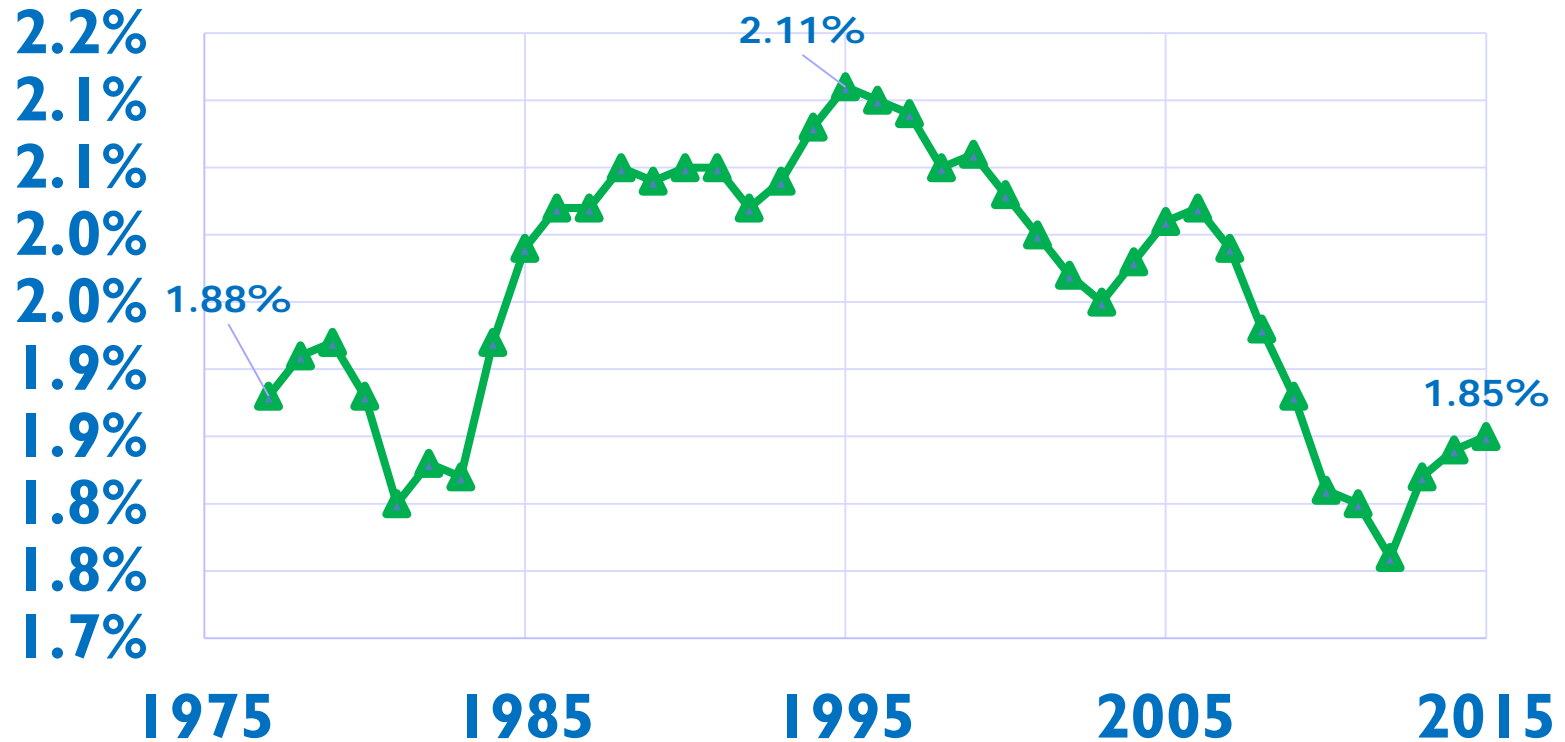
• Impetus for Change

- **Tax Cuts and Jobs Act**, aka
 - “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018”
- **Drive for Consumption Tax**
- **Income Inequality**
- **New Economy**

Sales and Use Tax

- Revenue Trends
- Structural Changes
- Impetus for Change

State Sales Tax Revenue as a % of Personal Income

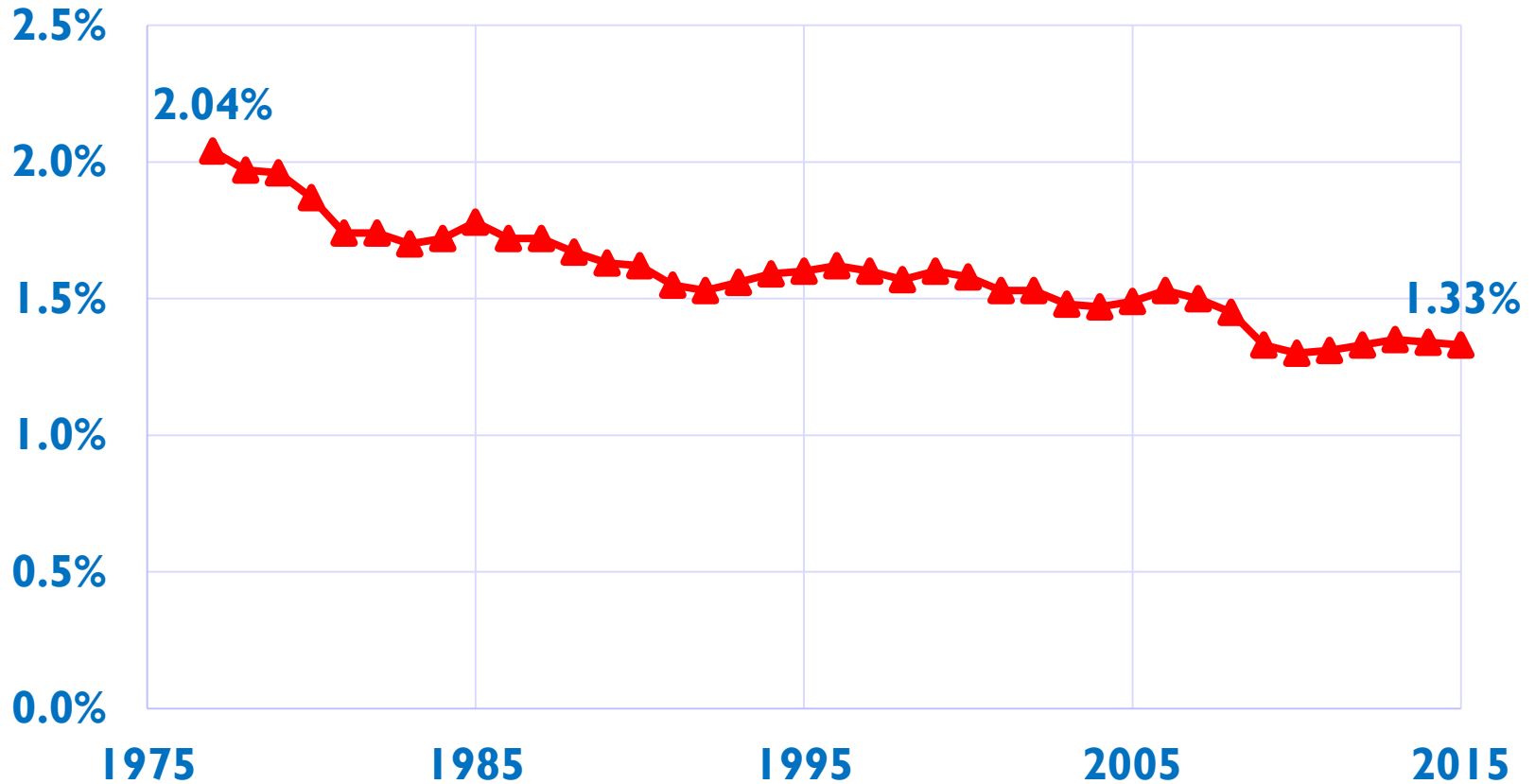


- **Structural Changes**
 - **Rate Changes**
 - **Base Changes**

Distribution of Sales Tax Rates

	Year				
	1980	1990	2000	2012	2017
2.0% – 2.9%	1	0	1	1	1
3.0% - 3.9%	17	4	1	0	0
4.0% - 4.9%	18	15	12	10	9
5.0% - 5.9%	7	15	17	8	11
6.0% - 6.9%	2	11	13	21	20
7.0% - 7.9%	1	0	2	6	5
8.0% - 8.9%	0	1	0	0	0
Average	3.95%	4.88%	5.17%	5.63%	5.67%

Sales Tax Revenue as a % of Income: Alabama

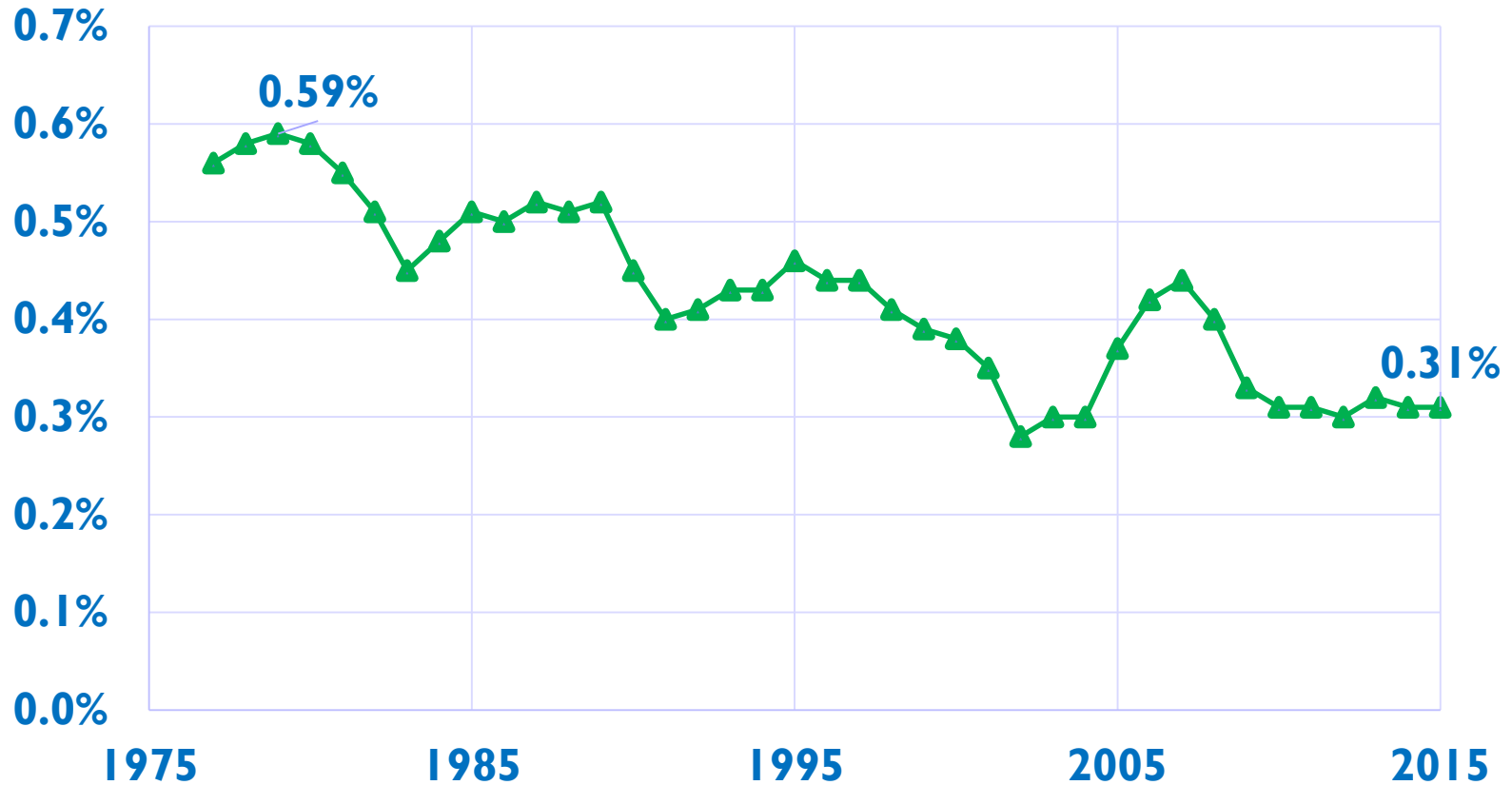


- **Impetus for Change**
 - **Growth of Services**
 - **Remote Sales**
 - **New Economy**

Corporate Income Tax

- Revenue Trends
- Structural Changes
- Impetus for Change

State Corporate Income Tax as a % of Personal Income



- **Structural Changes**
 - **Rate Changes**
 - **Other Changes**

Corporate Income Tax Rate Changes

State	2012	2018
Arizona	6.968%	4.9%
Idaho	7.6%	7.4%
Indiana	8.5%	6.0%
New Hampshire	8.5%	8.2%
New Mexico	7.6%	6.2%
New York	7.1%	6.5%
North Carolina	6.9%	3.0%
North Dakota	5.2%	4.31%
Rhode Island	9.0%	7.0%
West Virginia	7.75%	6.5%
District of Columbia	9.975%	8.25%

- **Impetus for Change**
 - **Competition for Jobs –
Geographic Mobility of Capital**
 - **Calls for its Elimination**
 - **New Economy**

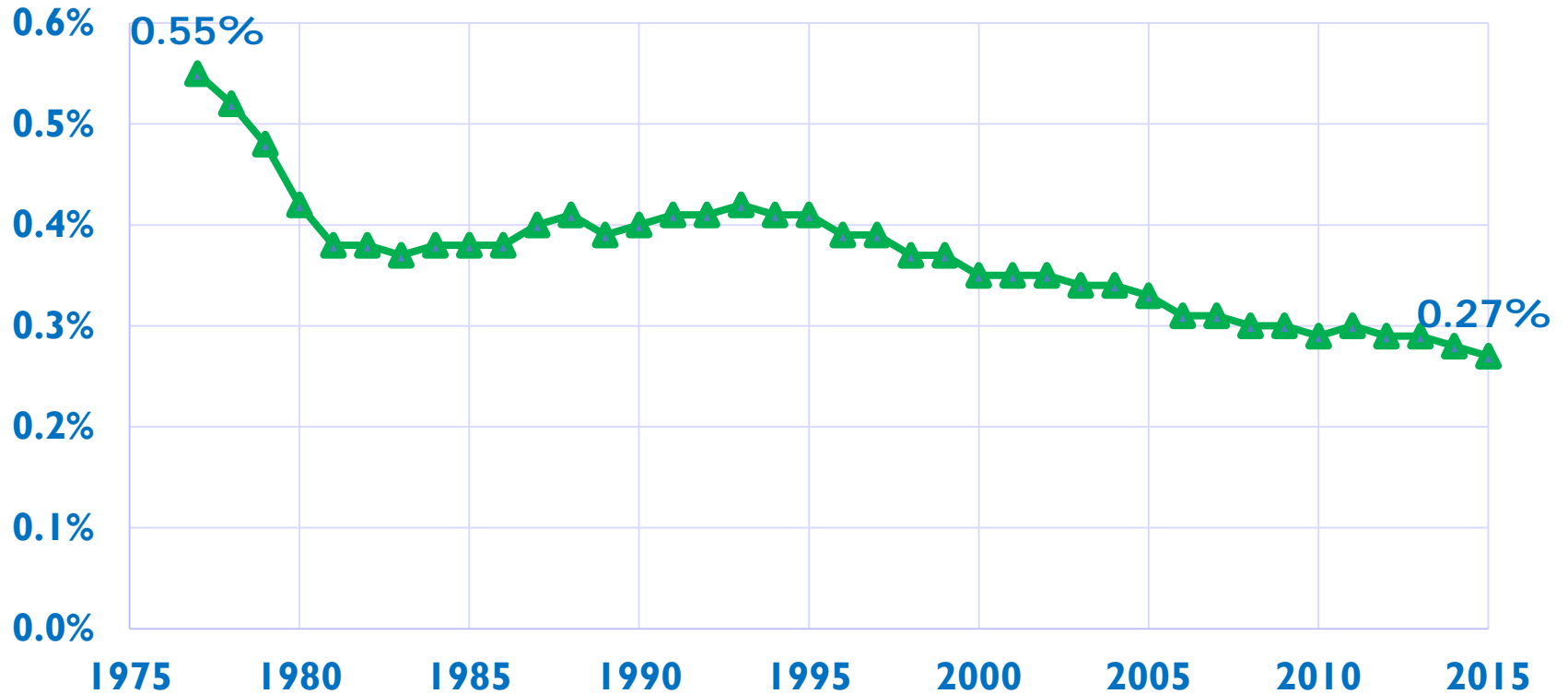
**“On corporate tax, ignoring that:
capital is mobile, that our tax system is built on the
old world of bricks and mortar,
that tax systems dovetail together poorly, all of this
is a kind of willful blindness.”**

Jolyon Maugham

Motor Fuel Tax

- Revenue Trends
- Rate Changes
- Impetus for Change

State Motor Fuel Tax as a % of Personal Income



- **Impetus for Change**
 - **Change in Federal Role**
 - **Fuel Efficiency**

- **Other Possible Changes**
 - **Telecommunication Taxes**
 - **Carbon Tax**

Thank You!