Tax Revenue Synchronization with the Business Cycle: When Will State Tax Revenues Recover from the Great Contraction?

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September 2010

The Great Contraction and State Revenues

• Severity
• Duration
• Origin
• Employment
• Revenue
US Business Cycles

Year-over-Year Growth Rate in Philadelphia Coincident Indicators 1980 - Present

Cycle I
Cycle II
Cycle III

Percentage


YOY Percentage Change
Lowess Smoothened Trends

Total State Revenue

Year-over-Year Growth Rates
1980 - 2009

Percentage Change


Sources: Federal Reserve Bank of Philadelphia National Consistent Indicators and Census Bureau Quarterly State and Local Government Tax Revenue
Comparison

Year-over-Year Growth Rates in Quarterly Observations (1989-2009)

Revenue

Economy

Percentage

Sources: Federal Reserve Bank of Philadelphia National Coincident Indicators and Census Bureau Quarterly State and Local Government Tax Revenue

Tax Revenues

• State economic characteristics
• Tax portfolio
State Efficiency Frontier

Year-over-Year Percentage Change in Monthly Coincident Indicators 1995-2009

Source: Federal Reserve Bank of Philadelphia Coincident Indicators

Comparison by Growth Rates

Year-over-Year Growth Rates in Quarterly Revenues
Ranked by Median of Percentage Change 1988-2009

Source: Census Bureau Quarterly State & Local Government Tax Revenue
Employment Gap

Return to Long Term Trend Line
Summary and Conclusions

- Severity
- Duration
- Origin
- Employment
- Revenue