

## Frequently Asked Questions About Tax Rankings

### What is the data source for calculating rankings?

Rankings are based on tax collection data from state and local government finance reports and population estimates from the U.S. Census Bureau, and personal income data from the Bureau of Economic Analysis.

### What other types of taxes are there?

In addition to the individual income tax, sales and use tax, and property tax, the state and local government finance reports from the U.S. Census Bureau include collection data for the corporate income tax, motor vehicle license tax, and selective sales taxes such as motor fuels, alcohol, and tobacco products.

### When will future-year tax rankings be available?

The state and local government finance reports from the U.S. Census Bureau are usually on a two-year lag release schedule. For example, the FY 2018 report became available in the autumn of 2020. Future tax ranking tables will be published as state and local government finance reports become available.

### Why do you provide both per-capita and percent of personal income rankings?

Per capita income varies considerably among the states, from a low of \$37,000 in Mississippi to a high of \$72,000 in Connecticut. In FY 2018, differences in per capita income explain 78 percent of the variation in tax revenue per capita (excluding D.C. and energy-dependent states Alaska, North Dakota, and Wyoming). On average, each \$1,000 increase in per capita income is associated with a \$152 increase in taxes per capita. It is no surprise, then, if a high-income state also ranks high in per capita state and local tax collections.

When total state and local tax burdens are measured as a percent of income, high-income states have roughly the same average tax burden as low-income states. Rankings of total state and local tax burden measured as a percent of income are better able to identify the states commonly perceived to be low-tax or high-tax states.

### Why do you distinguish between state only taxes and state & local taxes?

States differ greatly in how they allocate responsibilities between the state and local levels of governments. This makes rankings based on state taxes alone potentially misleading. In FY 2018, three states (Vermont, Delaware, and Arkansas) raised more than 75 percent of total state and local tax revenue at the state level while four others (New Hampshire, New York, Alaska, and Texas) raised less than half at the state level. Minnesota raised 74 percent of its total state and local tax revenue at the state level. (See Shares of State & Local Taxes).

For the United States as a whole, an average of 58 percent of state and local tax revenue is collected at the state level.

### Why are there no state & local tax rankings for fiscal years 2001 & 2003?

The U.S. Census Bureau did not publish state-by-state local government finances for FY 2001 and FY 2003. State tax collections data are available for each year, but local tax collections are not.

### What do Total Revenue and Own Source Revenue represent?

Own Source Revenue is total taxes, charges and fees raised at the state and local level, excluding utility, liquor store, and insurance trust fund revenue. Total Revenue is Own Source Revenue plus federal funds.

### Why are some of the rankings different from other rankings I have seen?

The Minnesota Department of Revenue updates tax rankings on a periodic basis to account for revisions to tax collection, personal income, and population data. Other sources for tax rankings may not update rankings based on these revisions.

The sales tax ranking may also be different from other sources. Most states include motor vehicle sales tax with the general sales and use tax collections they report to the U.S. Census Bureau. For the few states that report motor vehicle sales tax separately (Minnesota, New Mexico, North Dakota, Texas, Vermont, Virginia and D.C.), the Minnesota Department of Revenue rankings add motor vehicle sales tax collections to general sales and use tax collections to create a more consistent comparison among all states. Failure to do so distorts sales tax rankings for those states.

The Minnesota Department of Revenue uses calendar year personal income to calculate rankings (CY 2017 personal income for FY 2018 rankings). Some other rankings use an average of two calendar years (average of CY 2017 and CY 2018 personal income for FY 2018 rankings).

### Why did the tax rankings change since my last visit?

The tax rankings may have been updated to reflect revised tax collection, personal income, or population data.

### How often do you update the tax rankings?

Tax rankings are updated when revised tax collection, personal income, or population data becomes available.

### Where can I get more information about government tax collections?

U.S. Census Bureau state and local government finance reports: <https://www.census.gov/programs-surveys/gov-finances.html>