

The Growth In State Tax Collections May Be Better Than Some Think

Quarterly State Tax Revenue (Year-Over-Year Percent Change)

Q2'06	10.1%	Q4'08	-3.9%	Q2'11	11.2%	Q4'13	3.2%
Q3'06	5.9%	Q1'09	-12.2%	Q3'11	5.4%	Q1'14	0.1%
Q4'06	4.2%	Q2'09	-16.2%	Q4'11	3.1%	Q2'14	-0.9%
Q1'07	5.2%	Q3'09	-10.7%	Q1'12	3.9%	Q3'14	4.4%
Q2'07	5.5%	Q4'09	-3.1%	Q2'12	3.5%	Q4'14	5.9%
Q3'07	2.9%	Q1'10	3.4%	Q3'12	3.6%	Q1'15	5.1%
Q4'07	3.1%	Q2'10	2.2%	Q4'12	5.6%	Q2'15	7.1%
Q1'08	2.9%	Q3'10	5.6%	Q1'13	9.8%	Q3'15	3.8%
Q2'08	5.3%	Q4'10	8.2%	Q2'13	10.1%	Q4'15	2.0%
Q3'08	2.7%	Q1'11	10.1%	Q3'13	5.3%	Q1'16	1.6%

Source: U.S. Census Bureau and the Rockefeller Institute.

View from the Observation Deck

1. The latest data on state tax collections in the U.S. is as of Q1'16. We have provided data going back 40 quarters (10 years) to Q2'06.
2. Total state tax collections registered gains in 34 of the 40 quarters, on a year-over-year basis, or 85% of the time. Five of the six quarters where growth rates turned negative occurred during the 2008-2009 financial crisis.
3. From Q2'06-Q1'16, the average quarterly gain in state tax collections was 3.13%.
4. The yield on the BofA Merrill Lynch 22+ Year U.S. Municipal Securities Index began the 40-quarter period at 4.97% and finished at 4.26% (not shown), according to Bloomberg. It's average yield for the period was 5.03%.
5. From 3/31/06 through 3/31/16, the average annualized total return on the BofA Merrill Lynch 22+ Year U.S. Municipal Securities Index was 5.40% (not shown), according to Bloomberg.
6. Investors funneled an estimated net \$63.85 billion into Municipal Bond mutual funds and exchange-traded funds for the 12-month period ended August 31, 2016, according to Morningstar.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The BofA Merrill Lynch 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market.

