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Fitch: Tax Revenue Growth Provides Needed Boost to U.S. States' Resilience

Fitch Ratings-New York-11 June 2026: Solid gains in personal income tax (PIT) and sales tax collections are driving overall tax collections higher in most states in fiscal 2026, providing a positive offset against spending pressures and economic uncertainty, says Fitch Ratings.

Through the key tax collection month of April, total YTD tax growth has moderately accelerated in most states and is largely meeting or exceeding state expectations. Tax revenue surpluses will provide some relief as states adjust to recent state and federal tax changes, shifts in federal funding, and continued spending cost pressures.

The National Association of State Budget Officers reported median growth in state general fund revenues, predominantly taxes, of 2.9% in fiscal 2025 and 1.5% in fiscal 2024. It also projected a slowdown in growth to 0.3% in fiscal 2026 based on states' adopted 2026 budgets. However, actual 2026 tax growth has been stronger than forecast in many states.

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