Bond Case Briefs

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S&P: Market Volatility Has Varying Impact On U.S. States' Capital Gains Tax Exposure

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Key Takeaways

- In past recessions, stock market declines haven't affected U.S. state revenue collections uniformly, and thus some states are more exposed than others.
- At the same time, some states have received windfall capital gains tax revenue in recent years as the stock market has reached new highs.
- States most at risk from a drop in capital gains tax revenue rely on a disproportionate share of income tax from their top taxpayers, have high top tax rates, and derive a high proportion of their operating revenue from income tax.
- When the cycle turns, states we see as having potentially the greatest exposure to a drop in capital gains tax include in order of risk: California, New York, Connecticut, Massachusetts, and Oregon.

Continue reading.