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Fitch: U.S. State Tax Collections Outperform National GDP and Personal Income

Fitch Ratings-New York/San Francisco-17 May 2022: State tax revenue collections are outperforming U.S. GDP growth, as states with high population growth and those with high personal income taxes were the best performers, according to Fitch Ratings.

“Idaho, Arizona, California, New Hampshire and Utah saw the fastest coronavirus pandemic-era personal income growth, principally from wage growth,” said Olu Sonola, Head of U.S. Regional Economics. “Idaho stands out as the top performer overall, with its tax collections up nearly 40% in 2021 compared to 2019.”

An unexpected surge in consumer spending and personal income has powered state tax revenues out of the deep, albeit short-lived, pandemic-induced recession of 2020. Retail sales expanded by 18% yoy in 2021 as U.S. consumers shifted discretionary spending into tangible goods, many of which are taxable.

All state economies grew in 2021, with most states also experiencing sufficient growth to erase GDP losses from 2020. The median state lost just over 3% of GDP in 2020 before rebounding over 5%, for net growth of 2% from 2019 through 2021.

Utah, New Hampshire, Washington and Idaho exhibited the highest cumulative GDP growth. Hawaii lags all states in net economic recovery. Oil and gas-rich Alaska, Wyoming, Oklahoma and North Dakota had four of the 10 slowest GDP growth rates. This is likely to change with the recent surge in oil prices.

Wyoming, Alaska, New York and Hawaii experienced the lowest wage growth through the pandemic. Wyoming experienced major downward pressure in its extraction industries, while Alaska, New York and Hawaii saw sustained contraction in the leisure and hospitality sectors.

Idaho, Montana, Utah, Arizona and Texas are notable beneficiaries of sustained positive population trends that are likely to continue, aided by strong economic growth. The pandemic exacerbated the trend in population loss for New York and Illinois, which realized the steepest population declines of the pandemic.

For more information, a special report titled “U.S. States — Revenue and Economic Monitor 1Q22” is available at www.fitchratings.com.

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