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Weak Revenue Growth, Rising Fiscal Uncertainty.

State Tax and Economic Review, 2025 Q3

State and local tax revenues grew modestly in real terms in early fiscal year 2026, with overall gains driven largely by personal income taxes and concentrated in a small number of states with progressive tax structures that benefited from strong financial market performance in 2025. Many other states experienced flat or modest growth after adjusting for inflation.

States also face mounting uncertainty from elevated energy prices, geopolitical tensions, and federal policy developments, including planned reductions in federal funding.

Continue reading.

Tax Policy Center

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