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WASHINGTON RANKS 18TH HIGHEST IN STATE AND LOCAL TAXES PER CAPITA, 28TH IN TAXES PER \$1,000 OF INCOME

BRIEFLY

New estimates released by the Census Bureau show that Washington's state and local governments collected \$3,948 per capita in Fiscal Year 2005–06. This equaled \$111.99 for each \$1,000 in state personal income.

The census bureau annually releases estimates of state and local government finances. The 2005–06 estimates were posted to the Census website on Friday, May 16. These data combine fiscal years that ended within the one year span between July 1, 2005 and June 30, 2006 (FY 2005–06). The Census Bureau estimates that for FY 2005–06 state and local tax revenue in Washington totaled nearly \$25.2 billion. This was an increase of 9.6 percent from the \$23.0 billion estimated for FY 2004–05.

The table on page 2 compares FY 2005–06 state and local tax burdens across the 50 states using two alternative normalizations: taxes per capita and taxes per \$1,000 of personal income.

Washington's \$3,948 per capita in state and local taxes for FY 2005–06 ranked 18th highest among the 50 states. New York had the highest per capita tax burden, \$6,413; Alabama had the lowest, \$2,782. The nation-wide average was \$4,001. Washington's per capita ranking has not changed much over the last three years. For FY 2004–05 Washington ranked 21st; for FY 2003–04 it ranked 18th (DOR 2007, page 13).

For FY 2005–06 Washington's \$111.99 in state and local taxes per \$1,000 in personal income ranked 28th highest among the states. Wyoming collected the most state and local tax revenue per \$1,000 of personal income; South Dakota collected the least, \$91.03. The nation-wide average was \$116.22.

Washington's ranking in taxes relative to personal income has bounced around over the last three years. After ranking 29th for FY 2003–04, Washington's ranking fell to 37th for FY 2004–05 (DOR 2007, page 7). This drop and the subsequent rebound to 28th for FY 2005–06 reflects the \$3 per share special dividend that Microsoft paid to shareholders in December 2004. This dividend significantly boosted Washington personal income. As a result, Washington ranked 10th among the states in per capita personal income growth from 2003 to 2004. The special dividend was not repeated in 2005, and Washington ranked last among the states in per-capital personal income growth from 2004 to 2005.

From a shareholder's perspective the cash received from the Microsoft dividend was not really income, as it was offset by a fall in the price of Microsoft's stock. (Microsoft's closing price on Monday, November 15, 2004, the first day it traded ex-dividend, was \$27.39; \$2.57 less than the Friday, November 12, closing price.) Thus the FY 2004–05 drop in Washington's ranking in taxes relative to personal income was largely an illusion, an artifact of the inclusion of the Microsoft special dividend in state personal income.

State and Local Taxes 2005-06

	Per Capita		Per \$1,000 PI	
	Dollars	Rank	Dollars	Rank
Alabama	2,782	50	95.97	47
Alaska	5,410	5	150.98	3
Arizona	3,234	38	110.25	33
Arkansas	3,114	44	116.91	20
California	4,517	9	121.45	13
Colorado	3,614	28	98.01	46
Connecticut	5,685	3	118.89	15
Delaware	4,243	14	116.09	23
Florida	3,693	26	108.06	40
Georgia	3,321	35	109.21	36
Hawaii	4,848	6	140.00	6
Idaho	3,076	45	111.58	29
Illinois	4,081	15	112.35	27
Indiana	3,641	27	118.70	16
Iowa	3,450	31	110.04	34
Kansas	3,793	22	116.55	22
Kentucky	3,225	39	114.51	24
Louisiana	3,706	25	140.46	5
Maine	4,415	11	142.94	4
Maryland	4,603	8	111.08	30
Massachusetts	4,761	7	109.26	35
Michigan	3,565	30	108.99	37
Minnesota	4,363	13	118.05	19
Mississippi	2,822	49	110.65	31
Missouri	3,137	43	100.68	44
Montana	3,189	41	110.58	32
Nebraska	3,898	21	119.19	14
Nevada	3,917	20	108.23	38
New Hampshire	3,443	32	92.30	49
New Jersey	5,459	4	125.34	9
New Mexico	3,591	29	129.17	8
New York	6,413	1	156.52	2
North Carolina	3,384	33	112.59	26
North Dakota	3,714	24	116.82	21
Ohio	3,773	23	118.16	17
Oklahoma	3,147	42	105.74	41
Oregon	3,360	34	108.13	39
Pennsylvania	3,956	17	113.58	25
Rhode Island	4,408	12	121.91	12
South Carolina	2,874	46	102.76	43
South Dakota	2,842	47	91.03	50
Tennessee	2,838	48	93.38	48
Texas	3,235	37	99.70	45
Utah	3,211	40	118.13	18
Vermont	4,435	10	135.30	7
Virginia	3,934	19	104.75	42
Washington	3,948	18	111.99	28
West Virginia	3,252	36	122.83	10
Wisconsin	4,002	16	122.60	11
Wyoming	6,116	2	165.92	1
District of Columbia	7,764		143.62	
United States	4,001		116.22	

Sources: U.S. Census Bureau, Bureau of Economic Analysis

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