

Fiscal Highlights

FY 2013 Revenue Spike Common across States - Steven M. Allred

Like Utah, most states had a revenue bump in FY 2013 due to taxpayers pushing income into tax year 2012 to avoid an increase in federal tax rates in 2013. According to the National Conference of State Legislatures (NCSL), which issued a [preliminary report](#) on state budget conditions in August, 2013, 41 states reported year-over-year revenue growth in FY 2013. However, "despite the improved fiscal situation, lawmakers remain cautious about the budget outlook for FY 2014. Officials are uncertain about the sustainability of the stronger revenue growth rates experienced in FY 2013 and expect revenue collections to slow."

Our economists gave a similar outlook in the June 18 [Revenue Update](#): "Income tax collections have been particularly strong in FY 2013 due largely to federal tax changes which caused taxpayers to shift gains into tax year 2012. Revenue resulting from this should be treated as one-time in the budgeting process."

When presenting their report in Atlanta, NCSL quoted a Rockefeller Institute of Government report saying, "Such large increases in personal income tax collections would undoubtedly lead to lower amounts in coming years." NCSL reports that, on average, states are cautiously expecting just 1.3 percent growth in general revenue in FY 2014.

In Utah, our May adopted [revenue estimates](#) had FY 2014 free revenues at 2.8 percent above FY 2013. With the income tax spike, our FY 2013 free revenue collections will exceed our FY 2014 adopted estimate. If we follow our economists' advice and assume that about 90 percent of FY 2013 spike is one-time, our FY 2014 free revenues would be estimated to grow at 2.2 percent above FY 2013.

The last U.S. recession officially ended four years ago, although recovery has been prolonged and slow. A surplus in FY 2013 may be helpful in preparing for the next downturn in the business cycle. By statute, about half of any surplus will go into the rainy day fund.