Current Government Receipts

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The National Income and Product Accounts (NIPAs) provide comprehensive data on government receipts at all levels. Since 1970, current government receipts have averaged 29.0 percent of gross domestic product. Of that total, federal receipts accounted for 18.6 percent and current state and local government receipts, excluding transfers from the federal government (which are netted out in the total government figures), were 10.4 percent of GDP.

The figure below shows that state and local current receipts tend to be more stable as a share of GDP than federal current receipts. Between the first quarter of 2001 and the first quarter of 2004, for example, state and local current receipts declined by 0.5 percent of GDP when federal transfers are excluded. (Since federal transfers tend to increase during periods of economic sluggishness, state and local current receipts including federal transfers declined by only 0.1 percent of GDP.)

One of the most important reasons for the relative stability of state and local current receipts as a share of GDP is the much heavier reliance on sales and property taxes at the state and local level. A sales tax, for example, tends to be less cyclical than an income tax, both because sales fluctuate less than income and because the progressivity of an income tax magnifies the impact on revenue from a change in income.

In the NIPAs, property and sales taxes are classified as “taxes on production and imports.” (Property taxes are included as a tax on production, since housing is assumed to generate imputed income in the NIPAs.) Taxes on production and imports accounted for 4.6 percent of current federal government receipts in the first quarter of 2004, but 61 percent of state and local government receipts excluding federal transfers. In part due to various state-level referenda limiting property taxes, the share of state and local receipts excluding federal transfers that comes from taxes on production and imports has declined from more than 70 percent in the early 1970s.