

Capital Gains Survey

New York

The staff of the New York State Division of the Budget believes that capital gains fell by 30% to 35% in Tax Year (TY) 2001 (FY 2002) and expects a similar decline in TY 2002.

However, no official capital gains forecast for TY 2002 has been issued yet. The office has econometricians on staff that build their own capital gains models.

New Jersey

The Office of Legislative Services estimates that capital gains fell by 60% in FY 2002 and predicts that it will stay flat in FY 2003. The capital gains outlook for FY 2004 has not been considered yet.

The staff of this office does not use any econometric models or outside vendors to build its forecast.

Massachusetts

The Department of Revenue estimates that capital gains fell by 75% in FY 2002. The staff expects the capital gains growth to remain flat in both FY 2003 and FY 2004.

The Department uses its own models to forecast revenues, including tax revenues on capital gains.

Connecticut

The Office of Fiscal Analysis estimates that capital gains fell by 40% to 45% in FY 2002. The forecast calls a further decline of 17% in FY 2003 and a modest gain of 4% in FY 2004.

Their capital gains forecast is developed by Economy.com.

California

Legislative Analyst's Office speculates that tax on income from the stock market fell by 65% in FY 2002. Of this decline, 70% was attributable to stock options and 60% to capital gains.

While no forecast has been issued yet, the staff speculates that capital gains may fall by between 10% and 15% in FY 2003.

Capital gains growth is expected to return to 8% in FY 2004. This is also considered the average growth rate in the long run.

The office produces its own capital gains forecast.

Oregon

The Office of Economic Analysis estimates that capital gains fell by 82% in FY 2002.

The staff, which develops its own forecasts, predicts that capital gains will grow by 40% in FY 2003 and 53% in FY 2004.

Colorado

The staff of the Legislative Council believes that capital gains fell by 50% in FY 2002 and forecasts that it will decline another 15% in FY 2003. The outlook for FY 2004 and FY 2005 is a positive growth of 11% and 9%, respectively.

Congressional Budget Office (CBO)

No forecast for TY 2002 has been issued yet. The forecast will not become publicly available until January, 2003.

However, the staff speculates that capital gains will decline this year owing to a large drop in share prices. No figure was given, however.

What does this mean for Arizona?

Estimated and final payments fell by \$160 million in FY 2002. Assuming that this decline was entirely related to capital gains, it is estimated that realized capital gains in Arizona fell from \$8.4 billion to \$5.1 billion in TY 2001 (FY 2002). This is a 40% decline, which seems like a reasonable number.

If we assume that realized capital gains will fall by 10% in FY 2003 and grow by 4% in FY 2004, income from tax on capital gains will decline another \$25 million in FY 2003 only to increase by \$9 million in FY 2004.

In FY 2002, withholding declined by \$54 million, whereas estimated/final payments and refunds fell by a combined \$160 million, for a total of \$214 million.

Our currently revised forecast ("80% confidence") calls for a decline of 2% or \$42 million in FY 2003. If capital gains were to fall by, say, \$25 million, this would only "allow" for another \$17 million decline in withholding, or -0.7%.