

State Personal Income

Fourth Quarter of 2006

Annual Estimates for 2006

By David G. Lenze

PERSONAL income for the United States grew 1.2 percent in the fourth quarter, the same as in the third quarter, according to estimates from the Bureau of Economic Analysis (BEA) (chart 1).¹

For the year 2006, growth was strong. Personal income increased 6.3 percent, the highest annual growth rate since the current expansion began in December 2001. In 2005, personal income grew 5.2 percent. Notably, personal current taxes, which are deducted from personal income to obtain the amount available for spending or saving, increased 13.1 percent in 2006, more than double the growth rate of personal income.

The estimates of annual personal income discussed in this article are preliminary. They are scheduled to be revised later this year when more complete and more detailed data become available. Quarterly estimates are revised every quarter.

Personal income is the income received by all persons from all sources; it is defined as the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts. Personal income for the Nation is the sum of personal income estimates for all states and the District of Columbia. Some of the data used to estimate personal income are compiled on a place-of-work basis, but because state personal income reflects the income of residents of a state, a residence adjustment is required.

Fourth Quarter of 2006

The 1.2-percent growth rate in the third and fourth quarters of 2006 was below the average growth rate of 1.4 percent over the last 3 years (chart 2). Growth exceeded inflation; the national price index for personal consumption expenditures fell 0.2 percent in the

fourth quarter after rising 0.6 percent in the third quarter.

Growth accelerated in 18 states and decelerated in 25 in the fourth quarter. The largest acceleration, 2.1 percentage points, was in North Dakota. The largest deceleration, 2.6 percentage points, was in the state of Washington. Growth accelerated in four of eight BEA regions—New England, Mideast, Great Lakes, and Plains—and decelerated in the others.

Earnings

Nationally, earnings by place of work—the sum of wages, wage supplements, and proprietors' income—rose 1.3 percent in the fourth quarter, compared with 0.8 percent in the third quarter. Earnings is typically the largest contributor to personal income growth. In the fourth quarter, the leading industry contributors to earnings growth were finance and insurance, professional and technical services, and state and local government.

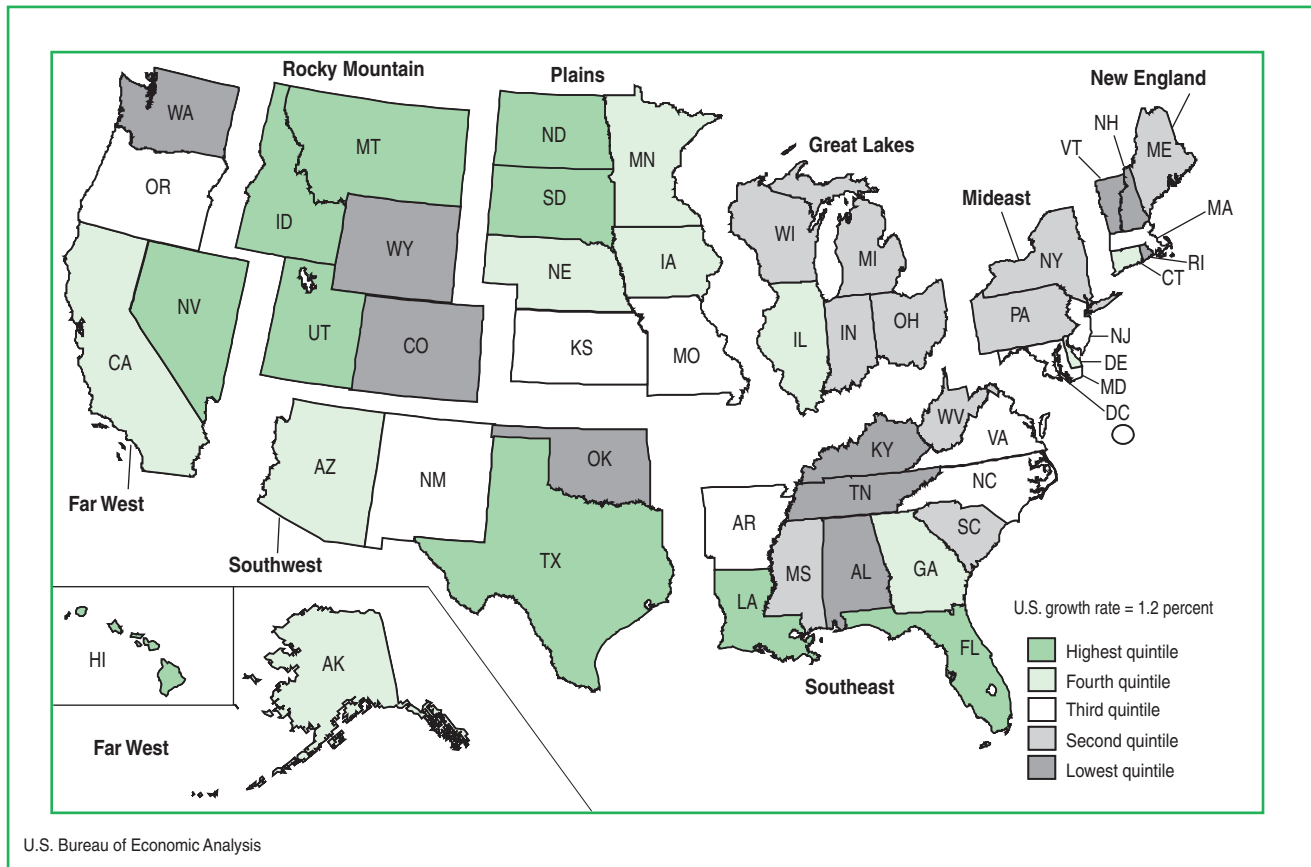
Extraction of minerals (including oil, gas, copper,

Acknowledgments

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1. Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter percent changes are calculated from unrounded data and are not annualized.

Chart 1. Personal Income: Percent Change in 2006:IV



nickel, uranium, and gold) continued its strong contribution to earnings growth in the area stretching from Louisiana, Texas, Oklahoma, and New Mexico through Colorado, Wyoming, and Montana and into Alaska. The mining industry was the biggest contributor to fourth-quarter earnings growth in four of those states (table A).

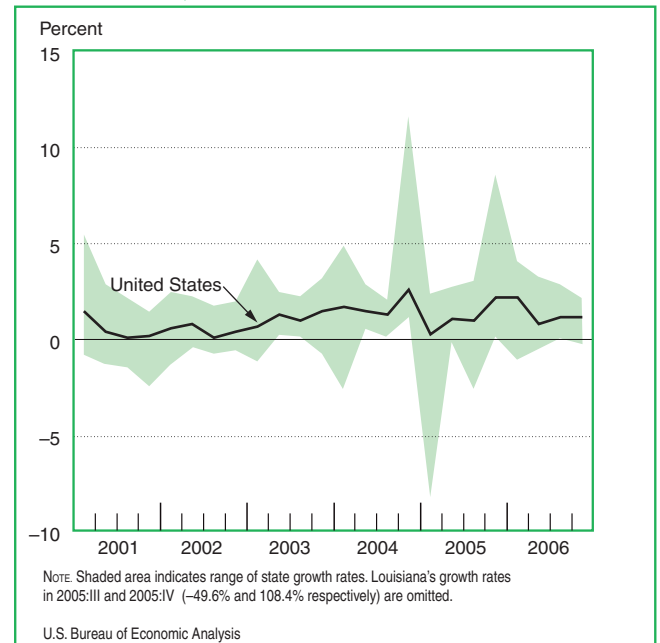
In contrast, construction subtracted from earnings growth in most states, with the notable exceptions of Louisiana, which is still rebuilding property damaged and destroyed by the hurricanes and flood in 2005, and Wyoming, whose mining sector continues to support construction. Construction also contributed small amounts to earnings growth in 10 other states, such as Nevada and Texas, with the fastest personal income growth.

Dividends, interest, and rent

These items, known as property income, grew 0.9 percent in the fourth quarter of 2006, down from 2.5 percent in the third quarter.

Personal interest income, the largest component of property income, fell 1.3 percent in the fourth quarter, the first decline since the second quarter of 2004. Per-

Chart 2. Range of State Personal Income Quarterly Growth Rates, 2001–2006



sonal interest income turned down, reflecting a broad decline in interest rates over the quarter.

Rental income of persons and personal dividend income both rose. Rental income growth decelerated, mainly reflecting a deceleration in space rent and an acceleration in total expenses.

Transfer receipts

Transfer receipts grew 0.7 percent in the fourth quarter of 2006, down from 1.8 percent in the third quarter. Personal current transfers decelerated because of a downturn in state and local government benefits (mainly Medicaid payments).

Table A. Contributions to Percent Change in Earnings by Place of Work, by State and Region, 2006:III–2006:IV

[Percentage points, seasonally adjusted]

	Total earnings ¹	Farm	Forestry, fishing, related activities, and other ²	Mining	Utilities	Construction	Manufacturing		Wholesale trade	Retail trade	Transportation and warehousing	Information	Finance and insurance
							Durable goods	Nondurable goods					
United States	1.32	0.05	0.02	0.05	0.01	-0.03	0.02	0.00	0.07	0.03	0.03	0.03	0.19
New England													
Connecticut.....	1.50	0.02	0.00	0.01	0.01	-0.09	0.01	-0.01	0.06	0.04	0.02	0.07	0.48
Maine.....	1.10	0.01	0.05	0.00	0.01	-0.07	0.03	-0.01	0.06	0.08	0.03	0.07	0.13
Massachusetts.....	1.43	0.01	0.01	0.01	0.01	-0.05	0.00	0.01	0.08	0.03	0.02	0.10	0.27
New Hampshire.....	0.90	0.01	0.01	0.00	0.01	-0.10	0.00	-0.01	0.12	0.09	0.01	0.09	0.04
Rhode Island.....	-0.93	0.01	0.01	0.00	0.01	-0.03	-0.04	0.00	0.04	0.03	0.01	0.07	0.22
Vermont.....	1.00	-0.06	0.02	0.01	0.02	-0.09	0.01	0.00	0.06	0.05	0.02	0.06	0.12
Mideast													
Delaware.....	1.44	-0.06	0.00	(³)	0.01	(³)	0.00	-0.01	0.07	0.04	0.02	0.05	0.39
District of Columbia.....	1.04	0.00	0.08	(³)	0.01	(³)	0.00	0.00	0.02	0.01	0.00	0.11	0.11
Maryland.....	1.27	0.01	0.00	0.00	0.02	0.00	-0.01	0.00	0.06	0.05	0.03	0.07	0.16
New Jersey.....	1.34	0.01	0.00	0.00	0.01	-0.06	-0.02	0.01	0.07	0.05	0.02	0.10	0.23
New York.....	1.17	0.00	0.01	0.01	0.01	-0.03	0.04	-0.03	0.01	0.02	-0.02	0.10	0.31
Pennsylvania.....	1.22	0.01	0.01	0.03	0.01	-0.05	0.01	-0.01	0.08	0.04	0.04	0.03	0.19
Great Lakes													
Illinois.....	1.56	0.13	0.00	0.04	0.01	-0.03	0.00	0.02	0.09	0.01	0.05	0.06	0.27
Indiana.....	1.19	0.18	0.01	0.01	0.02	-0.01	-0.07	0.03	0.09	0.04	0.05	0.04	0.12
Michigan.....	1.04	0.07	0.01	0.01	0.01	-0.09	-0.13	0.01	0.06	0.03	0.02	0.05	0.13
Ohio.....	1.12	0.06	0.00	0.02	0.01	-0.05	-0.03	0.00	0.07	0.03	0.05	0.05	0.15
Wisconsin.....	1.03	-0.05	0.01	0.01	0.02	-0.04	-0.02	0.02	0.07	0.03	0.04	0.07	0.18
Plains													
Iowa.....	1.43	0.25	0.02	0.01	0.02	-0.02	0.03	0.03	0.10	0.06	0.08	0.06	0.22
Kansas.....	1.20	-0.04	0.01	0.08	0.02	-0.07	0.03	-0.02	0.09	0.04	0.03	0.12	0.15
Minnesota.....	1.48	0.13	0.01	0.01	0.01	-0.03	-0.03	0.01	0.10	0.04	0.04	0.07	0.28
Missouri.....	1.36	0.07	0.01	0.01	0.01	-0.03	-0.01	0.01	0.08	0.04	0.04	0.09	0.16
Nebraska.....	1.32	0.10	0.02	0.01	0.02	-0.08	-0.04	-0.01	0.08	0.02	0.11	0.05	0.23
North Dakota.....	2.79	1.27	0.02	0.13	0.07	0.09	-0.02	-0.01	0.16	0.07	0.04	0.06	0.17
South Dakota.....	2.01	0.74	0.02	0.01	0.02	0.05	0.08	0.00	0.07	0.04	0.05	0.04	0.26
Southeast													
Alabama.....	0.83	-0.06	0.03	0.03	0.03	-0.08	0.01	-0.01	0.06	0.04	0.05	0.05	-0.05
Arkansas.....	1.32	0.17	0.04	0.04	0.02	-0.04	-0.05	0.01	0.08	0.05	0.07	0.07	0.11
Florida.....	1.60	0.07	0.02	0.01	0.01	-0.04	-0.01	0.00	0.10	0.05	0.03	0.07	0.20
Georgia.....	1.40	-0.02	0.02	0.01	0.02	-0.06	-0.02	0.03	0.08	0.05	0.05	0.14	0.17
Kentucky.....	0.99	-0.05	0.02	0.07	0.01	-0.03	-0.02	0.02	0.07	0.03	0.06	0.04	0.13
Louisiana.....	2.27	0.07	0.02	0.22	0.01	0.23	0.05	0.17	0.14	0.08	0.07	0.04	0.11
Mississippi.....	1.25	0.00	0.04	0.06	0.01	-0.04	-0.04	0.03	0.11	0.03	0.04	0.03	0.09
North Carolina.....	1.16	-0.02	0.01	0.01	0.01	-0.02	-0.01	-0.01	0.08	0.03	0.03	0.07	0.13
South Carolina.....	1.05	0.00	0.02	0.00	0.02	-0.02	-0.02	0.01	0.05	0.04	0.04	0.05	0.13
Tennessee.....	1.04	0.01	0.01	0.01	0.00	-0.07	-0.01	0.01	0.08	0.04	0.07	0.05	0.15
Virginia.....	1.34	-0.01	0.01	0.02	0.01	-0.04	-0.01	-0.03	0.06	0.05	0.04	0.11	0.14
West Virginia.....	1.24	-0.04	0.01	0.18	0.06	-0.15	-0.05	0.05	0.08	0.07	0.04	0.05	0.07
Southwest													
Arizona.....	1.56	0.06	0.02	0.03	0.01	0.13	-0.03	0.02	0.10	0.06	0.01	0.02	0.21
New Mexico.....	1.15	-0.12	0.01	0.19	0.02	-0.17	0.02	-0.02	0.07	0.01	0.05	0.08	0.07
Oklahoma.....	0.50	-0.15	0.01	0.38	0.02	0.01	0.05	-0.12	0.07	0.06	0.06	0.03	0.08
Texas.....	1.68	-0.01	0.01	0.28	0.01	0.09	0.15	-0.04	0.03	0.02	0.01	0.02	0.19
Rocky Mountain													
Colorado.....	0.86	-0.04	0.01	0.13	-0.32	-0.15	0.02	0.02	0.06	0.03	-0.07	0.17	0.13
Idaho.....	1.63	0.24	0.06	0.02	0.01	-0.01	0.03	0.01	0.06	0.09	0.04	0.05	0.12
Montana.....	1.93	0.35	0.05	0.15	0.02	0.02	0.02	0.02	0.06	0.06	0.02	0.04	0.13
Utah.....	1.67	-0.04	0.00	0.07	0.01	0.06	-0.01	0.01	0.11	0.09	0.09	0.06	0.22
Wyoming.....	0.43	-0.17	0.01	0.88	0.02	0.19	0.01	0.00	0.10	0.04	0.08	0.01	0.05
Far West													
Alaska.....	1.62	0.00	0.04	0.32	0.02	-0.22	0.00	0.02	0.06	0.07	0.14	0.04	0.05
California.....	1.52	0.14	0.03	0.01	0.01	-0.08	0.01	0.01	0.07	0.01	0.04	0.16	0.19
Hawaii.....	1.76	0.08	0.01	0.00	0.02	0.07	0.00	0.01	0.07	0.01	0.12	0.04	0.12
Nevada.....	1.91	0.00	0.00	0.04	0.01	0.11	0.01	0.01	0.07	0.03	0.06	0.06	0.14
Oregon.....	1.29	0.15	0.07	0.00	0.01	0.04	-0.10	0.02	0.07	0.03	0.03	0.04	0.14
Washington.....	-0.14	0.15	0.05	0.00	0.01	-0.01	0.69	0.01	0.07	0.10	0.01	-2.04	0.14
BEA regions													
New England.....	1.23	0.01	0.01	0.01	0.01	-0.07	0.00	0.00	0.07	0.04	0.02	0.09	0.29
Mideast.....	1.22	0.00	0.01	0.01	0.01	-0.03	0.01	-0.01	0.04	0.03	0.01	0.08	0.25
Great Lakes.....	1.24	0.09	0.01	0.02	0.01	-0.05	-0.04	0.01	0.08	0.03	0.04	0.05	0.18
Plains.....	1.45	0.16	0.01	0.02	0.02	-0.03	0.00	0.01	0.09	0.04	0.05	0.08	0.21
Southeast.....	1.35	0.01	0.02	0.03	0.01	-0.03	-0.01	0.01	0.08	0.05	0.04	0.08	0.14
Southwest.....	1.53	-0.02	0.01	0.24	0.01	0.08	0.11	-0.03	0.05	0.03	0.02	0.03	0.18
Rocky Mountain.....	1.18	0.01	0.02	0.15	-0.17	-0.06	0.01	0.02	0.07	0.05	-0.01	0.12	0.14
Far West.....	1.32	0.13	0.03	0.01	0.01	-0.06	0.08	0.01	0.07	0.03	0.04	-0.13	0.17

See the footnotes at the end of the table.

Annual Estimates, 2006

U.S. personal income grew 6.3 percent in 2006, up from 5.2 percent in 2005 (chart 3). Inflation, as measured by the national price index for personal consumption expenditures, was 2.8 percent in 2006, down from 2.9 percent in 2005.

The growth in 2006 was the strongest annual growth since the current expansion began in December 2001. However, the 2006 estimates reflect more-than-usual statistical uncertainty for some states, particularly Louisiana, which lost about 200,000 residents and is still feeling the effects of the hurricanes

Table A. Contributions to Percent Change in Earnings by Place of Work, by State and Region, 2006:III–2006:IV

[Percentage points, seasonally adjusted]

	Real estate and rental and leasing	Professional and technical services	Management of companies and enterprises	Administrative and waste services	Educational services	Health care and social assistance	Arts, entertainment, and recreation	Accommodation and food services	Other services, except public administration	Government		
										Federal, civilian	Military	State and local
United States	0.03	0.24	0.07	0.06	0.02	0.14	0.01	0.07	0.05	0.00	-0.01	0.17
New England												
Connecticut	0.02	0.27	0.10	0.04	0.02	0.15	0.00	0.04	0.03	0.00	0.01	0.20
Maine	0.02	0.21	0.05	0.04	0.02	0.21	0.01	0.08	0.04	-0.01	-0.17	0.21
Massachusetts	0.03	0.37	0.09	0.05	0.04	0.16	0.01	0.07	0.03	-0.04	-0.01	0.15
New Hampshire	0.01	0.19	0.05	0.05	0.04	0.17	0.01	0.07	0.04	-0.01	-0.08	0.09
Rhode Island	0.02	-2.08	0.12	0.06	0.05	0.17	0.01	0.06	0.03	0.04	0.10	0.13
Vermont	0.02	0.21	0.00	0.04	0.04	0.18	0.01	0.10	0.04	0.01	-0.05	0.20
Mideast												
Delaware	0.02	0.28	0.14	0.05	0.01	0.14	0.01	0.07	0.04	-0.01	-0.01	0.18
District of Columbia	-0.16	0.63	0.01	0.04	0.07	0.07	0.01	0.05	0.09	-0.08	-0.05	0.03
Maryland	0.04	0.34	0.03	0.06	0.02	0.13	0.01	0.08	0.05	0.01	-0.02	0.13
New Jersey	0.03	0.29	0.12	0.04	0.01	0.16	0.01	0.07	0.04	-0.01	-0.01	0.17
New York	0.03	0.28	0.05	0.01	0.03	0.11	-0.05	0.06	0.04	0.01	-0.01	0.18
Pennsylvania	0.02	0.25	0.10	0.04	0.04	0.18	0.01	0.06	0.05	-0.02	-0.01	0.13
Great Lakes												
Illinois	0.03	0.29	0.12	0.07	0.02	0.11	0.01	0.06	0.05	0.00	0.00	0.12
Indiana	0.02	0.13	0.05	0.06	0.00	0.13	0.02	0.06	0.06	-0.02	-0.02	0.19
Michigan	0.02	0.24	0.08	0.08	0.02	0.13	0.01	0.05	0.04	-0.02	0.00	0.21
Ohio	0.01	0.19	0.12	0.05	0.00	0.14	0.01	0.06	0.04	0.01	-0.01	0.13
Wisconsin	0.01	0.16	0.12	0.05	0.02	0.15	0.00	0.07	0.03	-0.01	-0.01	0.11
Plains												
Iowa	0.01	0.15	0.04	0.02	0.01	0.13	0.00	0.05	0.03	-0.02	-0.04	0.19
Kansas	0.01	0.15	0.03	0.10	0.00	0.14	0.00	0.06	0.04	-0.02	0.01	0.24
Minnesota	0.03	0.21	0.14	0.04	0.01	0.17	0.00	0.06	0.05	-0.02	-0.01	0.14
Missouri	0.02	0.21	0.14	0.05	0.02	0.15	0.01	0.07	0.05	0.02	-0.02	0.16
Nebraska	0.02	0.14	0.07	0.04	0.00	0.16	0.00	0.06	0.08	-0.02	-0.04	0.29
North Dakota	0.00	0.15	0.03	0.06	0.02	0.14	0.01	0.06	0.04	0.00	-0.05	0.27
South Dakota	0.01	0.08	0.05	0.06	0.01	0.16	0.01	0.08	0.03	-0.03	-0.03	0.21
Southeast												
Alabama	0.02	0.19	0.04	0.06	0.01	0.14	0.01	0.06	0.04	0.02	-0.01	0.15
Arkansas	0.02	0.14	0.12	0.03	0.01	0.15	0.01	0.06	0.04	0.03	-0.03	0.17
Florida	0.04	0.21	0.06	0.14	0.02	0.19	0.02	0.11	0.06	0.02	-0.01	0.24
Georgia	0.03	0.30	0.07	0.08	0.03	0.12	0.01	0.08	0.03	0.03	0.01	0.17
Kentucky	0.02	0.13	0.06	0.06	0.01	0.15	0.01	0.07	0.04	-0.05	-0.02	0.17
Louisiana	-0.07	0.34	0.06	0.11	0.02	0.18	0.05	0.14	0.10	-0.05	0.01	0.15
Mississippi	0.03	0.09	0.04	0.06	0.02	0.08	0.01	0.19	0.06	-0.03	-0.02	0.37
North Carolina	0.03	0.18	0.10	0.05	0.02	0.13	0.01	0.07	0.03	0.02	0.06	0.16
South Carolina	0.03	0.16	0.03	0.06	0.01	0.15	0.01	0.10	0.04	0.00	-0.07	0.19
Tennessee	0.02	0.18	0.04	0.08	0.02	0.18	-0.10	0.08	0.05	0.00	0.00	0.15
Virginia	0.03	0.36	0.10	0.04	0.01	0.13	0.00	0.06	0.05	0.03	0.02	0.16
West Virginia	0.03	0.10	0.04	0.08	0.02	0.16	0.02	0.08	0.02	0.00	-0.01	0.33
Southwest												
Arizona	0.05	0.20	0.05	0.19	0.02	0.17	0.01	0.09	0.06	-0.01	0.00	0.11
New Mexico	0.01	0.33	0.03	0.07	0.00	0.13	0.00	0.08	0.03	-0.01	-0.03	0.28
Oklahoma	0.02	0.09	-0.53	0.06	0.02	0.10	0.01	0.07	0.05	-0.01	-0.02	0.13
Texas	0.03	0.23	0.06	0.08	0.01	0.13	0.02	0.08	0.07	0.02	0.02	0.16
Rocky Mountain												
Colorado	0.03	0.28	0.08	0.07	0.02	0.12	0.03	0.07	0.06	-0.02	-0.02	0.16
Idaho	0.02	0.23	0.06	0.07	0.01	0.10	0.01	0.09	0.06	0.05	-0.01	0.22
Montana	0.03	0.16	0.01	0.06	0.01	0.16	0.02	0.10	0.05	0.10	-0.02	0.30
Utah	0.05	0.27	0.08	0.07	0.02	0.17	-0.01	0.09	0.06	0.00	-0.01	0.21
Wyoming	0.01	0.09	0.04	0.02	0.01	0.10	0.00	-1.38	0.08	0.04	-0.03	0.21
Far West												
Alaska	0.04	0.14	0.01	0.00	0.01	0.22	0.00	0.09	0.02	0.04	0.26	0.26
California	0.04	0.32	0.05	0.07	0.01	0.13	0.02	0.07	0.04	-0.01	-0.01	0.20
Hawaii	0.04	0.24	0.04	0.15	0.01	0.11	0.01	0.14	0.05	0.10	-0.01	0.34
Nevada	0.04	0.23	0.12	0.08	0.01	0.11	0.03	0.40	0.05	0.01	0.01	0.28
Oregon	0.00	0.19	0.03	0.01	0.00	0.12	0.01	0.09	0.03	0.04	-0.01	0.28
Washington	0.01	0.20	0.06	0.09	0.01	0.14	0.01	0.07	0.04	-0.02	-0.05	0.14
BEA regions												
New England	0.02	0.17	0.09	0.05	0.03	0.16	0.01	0.06	0.03	-0.02	-0.02	0.16
Mideast	0.02	0.30	0.07	0.03	0.03	0.13	-0.01	0.06	0.04	-0.01	-0.01	0.16
Great Lakes	0.02	0.22	0.10	0.06	0.01	0.13	0.01	0.06	0.04	0.00	-0.01	0.15
Plains	0.02	0.18	0.10	0.05	0.01	0.15	0.01	0.06	0.05	-0.01	-0.02	0.18
Southeast	0.02	0.23	0.07	0.08	0.02	0.15	0.00	0.09	0.05	0.01	0.00	0.19
Southwest	0.04	0.22	0.00	0.09	0.02	0.13	0.02	0.08	0.06	0.01	0.01	0.15
Rocky Mountain	0.03	0.25	0.07	0.07	0.02	0.13	0.02	0.00	0.06	0.01	-0.02	0.19
Far West	0.03	0.29	0.06	0.07	0.01	0.13	0.02	0.09	0.04	-0.01	-0.01	0.20

1. Earnings by place of work is the sum of wage and salary disbursements (payrolls), supplements to wages and salaries, and proprietors' income.

2. "Other" consists of the wage and salary disbursements to U.S. residents employed by international organizations and

foreign embassies and consulates in the U.S.

3. Data are suppressed to avoid disclosure of confidential information.

and flood in 2005.² The Federal Emergency Management Agency (FEMA) transferred about \$700 million in assistance to residents of Louisiana in 2006.

All eight BEA regions registered solid accelerations in personal income growth. For the third consecutive year, the Southwest region enjoyed the fastest growth (8.3 percent, up from 7.7 percent), and the Great Lakes region saw the slowest growth (4.8 percent, up from 4.0 percent). The contrast between the two regions reflected a mining boom in the Southwest and employment losses in auto manufacturing in the Great Lakes.

Personal income growth accelerated in 39 states. Louisiana's 19.4 percent growth, which followed an 8.7-percent decline in 2005, was the largest. The large upswing reflects the consequences of the property lost in two hurricanes and a flood and the state's subsequent recovery.³ The compensation component of personal income grew 6.6 percent in Louisiana in 2006; the other components (the parts most affected by property losses) grew 56.9 percent. Compared with 2004, Louisiana's personal income is 9.0 percent higher

2. The large migration out of the state may result in larger-than-normal revisions in the future.

3. For details about how BEA accounts for natural disasters in state personal income, see David G. Lenz, "State Personal Income: Fourth Quarter of 2005 and Per Capita Income for 2005," *SURVEY OF CURRENT BUSINESS* 86 (April 2006): 71-76.

while U.S. personal income is 11.8 percent higher.

Michigan grew the slowest of all states in 2006 (3.1 percent) and was 1 of 11 states with decelerating growth. In 2005, Michigan grew 3.5 percent. The slowdown partly reflected cutbacks in auto industry employment, especially in the last half of the year. The effects of the cutbacks on earnings were offset by the payment of lump-sum wages to workers accepting buyout offers. The downturn in automotive employment had ripple effects on earnings in other industries, particularly construction and real estate.

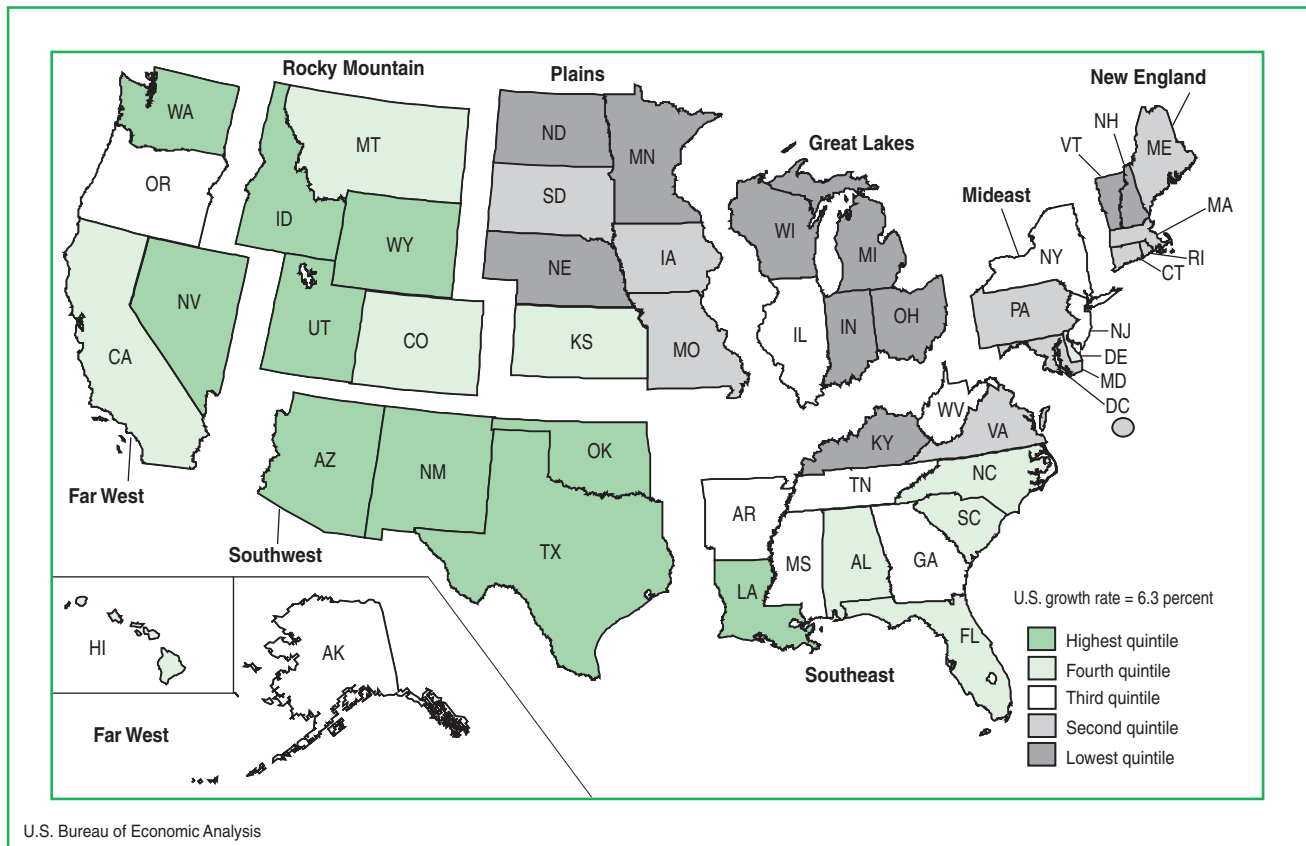
Earnings

Nationally, earnings by place of work grew 6.1 percent, compared with 5.6 percent in 2005. Professional and technical services, health care and social assistance, and construction contributed the most to earnings growth. Farming subtracted from earnings growth in all but nine states. Farm earnings declined because of rising production expenses and because of a decrease in government payments.

Dividends, interest, and rent

Property income grew 8.9 percent, compared with 2.4 percent in 2005. Dividends and interest growth both accelerated in 2006, while rental income increased in 2006 after declining in 2005.

Chart 3. Personal Income: Percent Change in 2006



Transfer receipts

Transfer receipts grew 5.0 percent in 2006 compared with 7.0 in 2005

Personal current taxes

Personal current taxes, which are deducted from personal income to obtain disposable personal income, increased 13.1 percent in 2006, while personal income increased only 6.3 percent. Personal current taxes are primarily taxes on income rather than on sales or real property.

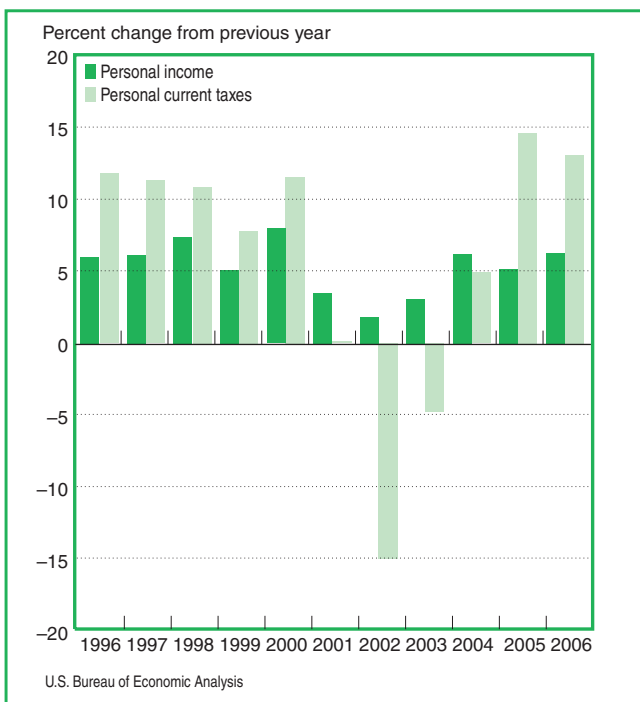
Disparities between the growth in personal current taxes and personal income are not uncommon (chart 4). For one thing, personal income is not identical to the individual income tax base. Personal income includes several items, such as Medicaid and Medicare benefits and the property income of pension funds,

which are not subject to state and Federal income taxes. In addition, some types of taxable income, such as pensions and capital gains, are not included in personal income.

There can also be important timing differences. Although BEA measures withholding taxes on wages and salaries on an accrual basis, taxes on other types of income, including capital gains, are usually measured on a payments basis. In addition, changes in tax laws can also lead to a disparity between income growth and income tax growth. In 2006, several individual income tax law changes went into effect. However, Federal and most state tax rates did not change.

By state, personal current taxes increased most rapidly in 2006 in Wyoming (21.0 percent) and increased least rapidly in Maine (6.9 percent). In general, the states with the highest personal income growth had the highest personal current taxes growth.

Chart 4. Personal Income and Personal Current Taxes



Per capita personal income

U.S. per capita income grew 5.2 percent in 2006, up from 4.2 percent in 2005.

Louisiana's per capita income rebounded 25.5 percent in 2006 after falling 9.0 percent in 2005. The extreme swing in Louisiana resulted from the effects of the uninsured fixed assets destroyed by and as a consequence of Hurricanes Katrina and Rita in 2005, a population loss of more than 200,000 residents, many of whom were low-income, and solid wage gains in 2006.

Connecticut led the Nation with per capita income of \$49,852—37 percent above the national average. Typically, the list of top 10 states with the highest per capita incomes varies little from year to year. Wyoming, however, following a sustained 10-year climb from 33rd place, returned to the top 10 after a 23-year absence. Its ranking is strongly tied to the mining industry, which has long-term expansionary and contractionary cycles.

Mississippi had the lowest per capita income of all states, \$26,535—27 percent below the national average. The bottom 10 states were all ranked in the bottom 10 last year.

Alternative Measures of Household Income

Three of the most widely used measures of household income are BEA's measure of personal income, the Census Bureau's measure of money income, and the Internal Revenue Service's measure of adjusted gross income of individuals.¹

Personal income, in general, is a more comprehensive measure. Personal income is defined as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. Because the personal income of an area represents the income that is received by, or on behalf of, all the persons who live in that area, and because the estimates of some components of personal income (wage and salary disbursements, supplements to wages and salaries, proprietors' income, and contributions for government social insurance) are made on a place-of-work basis, state personal income includes an adjustment for residence. Personal income includes the incomes of individuals, of nonprofit institutions that primarily serve individuals, of private noninsured welfare funds, and of private trust funds. The property income earned on life insurance and annuity reserves of life insurance carriers and earned on the assets of noninsured pension plans are also included in personal income.

Money income consists of income in cash and its equivalents that is received by individuals. It excludes—but personal income includes—employer contributions for employee pension and insurance funds, lump-sum payments except those received as part of earnings, certain in-kind personal current transfer receipts, such as Medicaid, Medicare, and food stamps, and imputed income.² Money income includes—but personal income excludes—personal contributions for government social insurance, income from government employee retirement plans and from private pensions and annuities, and income from regular interpersonal transfers, such as child support.

1. See also John Ruser, Adrienne Pilot, and Charles Nelson, "Alternative Measures of Household Income: BEA Personal Income, CPS Money Income, and Beyond," <www.bea.gov/bea/about/fesac/AlternativemeasuresHHincomeFESAC121404.pdf>; the Census Bureau's *Income, Poverty, and Health Insurance Coverage in the United States: 2004*; the Internal Revenue Service's annual *Individual Income Tax Returns*; and Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New Estimates for 2004 and Revised Estimates for 2003," *SURVEY OF CURRENT BUSINESS* 86 (November 2006): 29–36.

2. Imputations are added to personal income so that a comprehensive account of total production and its distribution can be presented. For a description of these imputations, see *State Personal Income: 2005 Methodology* at <www.bea.gov/bea/regional/pdf/spi2005/Complete_Methodology.pdf>.

In addition, personal income at the national, state, and local area levels is presented annually on a per capita (or simple average per person) basis. Money income at the national level is presented annually both on a per capita basis and on a median household basis; median money income for states from the Current Population Survey is presented annually as 2- and 3-year averages.³ Personal income is not adjusted for inflation, but the national estimates of money income are available in inflation-adjusted dollars, using the consumer price index.⁴

Adjusted gross income (AGI) consists of the taxable income prior to exemptions and the standard or itemized deductions that is reported by individuals on their Federal income tax return. It includes—but personal income excludes—personal contributions for social insurance, gains and losses on the sale of assets, and income from government employee retirement plans and from private pensions and annuities. AGI excludes—but personal income includes—the income of the recipients of taxable incomes who, legally or illegally, did not file an individual income tax return. In particular, AGI excludes the income of many individuals with low incomes who are exempt from filing tax returns. In addition, adjusted gross income excludes certain types of income that are not taxed—such as tax-exempt interest and nontaxable transfer payments, including Medicare, Medicaid, and welfare benefit payments—and it includes the taxable portion of social security benefit payments.

3. For local areas, the most recent estimates of money income for 2004 are median household income estimates from the Small Area Income and Poverty Estimates.

4. At the national level, BEA also presents real per capita disposable personal income (DPI). (DPI is personal income less personal current taxes; real DPI is DPI divided by the implicit price deflator for personal consumption expenditures.) For the sources of the prices used for this deflator, see "Updated Summary NIPA Methodologies," *SURVEY* 88 (November 2006): 10–27.

Comparison of Alternative Per Capita Income Measures
(Dollars)

	Per capita income		
	2004	2005	2006
State personal income ¹	33,090	34,471	36,276
Money income ²	24,655	25,036	n.a.
Adjusted gross income ³	23,038	24,835	n.a.

n.a. Not available

1. Bureau of Economic Analysis, available at <www.bea.gov>.

2. Census Bureau, Current Population Survey, available at <www.census.gov>. Census calculates CPS per capita money income using the civilian noninstitutional population total as of March of the following year.

3. Internal Revenue Service (IRS), available at <www.irs.gov>. The IRS does not produce per capita adjusted gross income (AGI). The measures shown are derived by dividing aggregate IRS AGI (less deficit) by total population from the Census Bureau (also used by BEA in the calculation of state per capita personal income).

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Tables 1 through 5 follow.