

State Personal Income

Second Quarter of 2007 and Revised Estimates for 2004–2006

By David G. Lenze

CURRENT-DOLLAR personal income growth slowed in the second quarter of 2007, rising 1.2 percent after rising 2.5 percent in the first quarter. The slowdown partly reflected strong first-quarter personal income growth—the second strongest in the current economic expansion—which was boosted by large bonuses paid for 2006. However, year-over-year, personal income growth was strong, rising 6.4 percent.

For the second quarter, inflation, as measured by the national price index for personal consumption expenditures, rose 1.0 percent after increasing 0.9 percent in the first quarter, leaving real U.S. personal income little changed.

These preliminary second-quarter estimates were released by the Bureau of Economic Analysis (BEA) in September, along with preliminary 2006 state estimates of transfer receipts by major program, tax payments by level of government, and detailed farm

income and expenses. BEA also released revised quarterly and annual estimates of state personal income for 2004 through the first quarter of 2007. This article presents highlights from the new and revised data.

Second quarter of 2007

Personal income—the income received by all persons from all sources—amounts to the sum of net earnings by place of residence, property income (income from rents, dividends, and interest), and transfer receipts. Because state personal income reflects the income of residents, a residence adjustment is also included.

In the second quarter, net earnings and transfer receipts accounted for the entire fall in current-dollar personal income growth. Net earnings by place of residence decelerated to 1.0 percent growth in the second quarter from 2.2 percent growth in the first quarter; first-quarter growth had been boosted by unusually

Acknowledgments

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The estimates of nonfarm wages and salaries and supplements to wages and salaries were prepared by the Regional Wage Branch under the supervision of Sharon C. Carnevale, Chief. Major responsibilities were assigned to Elizabeth P. Cologer, John D. Laffman, Michael G. Pilot, Mauricio Ortiz, John A. Rusinko, and James M. Scott. Contributing staff members were Peter Battikha, Michael L. Berry, Ji S. Byun, Susan P. Den Herder, Terence J. Fallon, Tina C. Highfill, Mark W. Hodgins, Russell C. Lusher, Paul K. Medzerian, Nathan D. Patterson, Melanie N. Vajdani, and Jaime Zenzano.

The quarterly estimates of state personal income and the annual estimates of farm wages and salaries, farm supplements to wages and salaries, farm proprietors' income, property income, personal current transfer

receipts, contributions for government social insurance, and the adjustment for residence were prepared by the Regional Income Branch under the supervision of James M. Zavrel, Chief. Major responsibilities were assigned to Carrie L. Litkowski, Toan A. Ly, Jeffrey L. Newman, James P. Stehle, and Matthew A. von Kerczek. Contributing staff members were Suet M. Boudhraa, Daniel R. Corrin, Michelle A. Harder, Carla R. Jenkins, Brian J. Maisano, W. Tim McKeel, Loren Morales, Julia T. Nguyen, and Troy P. Watson.

The estimates of personal current tax receipts were prepared by Ann E. Dunbar under the supervision of Robert L. Brown.

The public-use tabulations and data files were assembled and the tables were prepared by the Regional Economic Information System Branch under the supervision of Kathy A. Albetski, Chief. Major responsibilities were assigned to Gary V. Kennedy. Contributing staff members were Alison M. Adam, Giselle Cubillos-Moraga, H Steven Dolan, Michael J. Paris, Callan S. Swenson, and Monique B. Tyes.

large bonus payments in the finance industry. Professional services, health care, and state and local government contributed more than other industries to second-quarter personal income growth (table A). Transfers also decelerated in the second quarter because first-quarter growth had been boosted by annual cost-of-living adjustments and because of a slowdown in second-quarter Medicaid and social security pay-

ments.

Property income—dividends, interest, and rent—contributed 0.4 percentage points to growth in the second quarter, as it did in the first.

Growth in most states was very similar to the national average. Utah was an exception. It had notably higher growth in the second quarter and has grown substantially faster than all other states over the last

Table A. Contributions to Percent Change in Earnings by Place of Work by State and Region, 2007:I–2007:II—Continues

[Percentage points, seasonally adjusted]

	Total earnings ²	Farm	Forestry, fishing, related activities, and other ³	Mining	Utilities	Construction	Manufacturing		Wholesale trade	Retail trade	Transportation and warehousing	Information	Finance and insurance
							Durable goods	Nondurable goods					
United States	0.78	-0.03	0.00	0.03	0.01	0.03	0.08	0.06	0.08	0.04	0.01	0.01	-0.18
New England													
Connecticut.....	0.06	-0.01	0.00	0.00	-0.04	-0.01	0.09	0.07	0.08	0.04	0.01	0.01	-0.73
Maine.....	0.87	-0.02	0.00	0.00	0.01	0.01	0.06	0.08	0.06	0.04	0.02	0.00	-0.01
Massachusetts.....	0.73	0.00	0.00	0.00	0.01	0.00	0.08	0.05	0.08	0.03	0.01	0.01	-0.30
New Hampshire.....	1.05	-0.01	0.00	0.00	0.02	-0.02	0.15	0.06	0.11	0.07	0.01	0.01	0.00
Rhode Island.....	-0.12	0.00	0.00	0.00	0.02	0.03	-0.26	0.05	-0.12	-0.25	0.01	0.00	-0.01
Vermont.....	0.80	-0.04	0.00	0.01	0.03	0.01	0.10	0.06	0.06	0.05	0.01	0.00	-0.05
Mideast													
Delaware.....	0.30	0.01	0.00	0.00	0.02	0.04	0.05	0.09	0.08	0.04	0.01	0.01	-0.85
District of Columbia.....	2.00	0.00	-0.03	0.00	0.03	0.01	0.00	0.01	0.03	0.00	-0.01	0.06	0.07
Maryland.....	0.80	-0.01	0.00	0.00	-0.02	0.04	0.03	0.03	0.06	0.03	0.01	0.01	0.01
New Jersey.....	0.59	-0.01	0.00	0.00	0.01	0.01	0.02	-0.09	0.10	0.04	-0.03	0.01	-0.11
New York.....	-0.94	-0.01	0.00	0.01	0.02	0.06	0.06	0.02	0.05	0.02	0.01	0.01	-1.78
Pennsylvania.....	0.94	-0.02	0.00	0.02	-0.01	0.00	0.08	0.08	0.08	0.03	0.02	0.01	0.01
Great Lakes													
Illinois.....	0.68	-0.09	0.00	0.02	0.02	0.02	0.07	0.10	0.09	0.03	0.02	0.00	-0.18
Indiana.....	0.82	-0.17	0.00	0.01	0.02	0.09	0.18	0.11	0.08	0.02	0.01	0.00	0.00
Michigan.....	0.75	-0.04	0.00	0.01	0.02	-0.05	0.12	0.07	0.07	0.01	0.00	0.01	-0.01
Ohio.....	0.94	-0.05	0.00	0.01	0.02	0.03	0.10	0.09	0.08	0.03	0.02	0.00	0.00
Wisconsin.....	0.93	-0.05	0.00	0.00	0.01	-0.03	0.13	0.13	0.09	0.04	0.02	0.01	0.00
Plains													
Iowa.....	0.72	-0.17	0.00	0.01	0.02	-0.05	0.11	0.11	0.07	0.04	0.04	0.00	0.03
Kansas.....	1.29	0.10	0.00	0.04	0.02	-0.03	0.14	0.13	0.08	0.04	0.01	0.01	0.02
Minnesota.....	1.14	0.04	0.00	0.01	0.02	0.01	0.07	0.09	0.12	0.04	0.01	0.00	0.03
Missouri.....	0.94	0.02	0.00	0.01	0.02	0.02	0.08	0.08	0.09	0.04	0.02	0.01	-0.12
Nebraska.....	0.55	-0.37	0.00	0.01	0.03	0.01	0.04	0.09	0.09	0.04	0.02	0.01	0.01
North Dakota.....	-0.07	-0.77	0.00	0.00	0.04	-0.12	0.06	0.04	0.05	0.07	0.03	0.01	0.04
South Dakota.....	0.86	0.01	0.00	0.01	0.02	-0.04	0.07	0.08	0.08	0.06	0.02	0.00	0.04
Southeast													
Alabama.....	0.91	-0.01	0.00	0.02	0.03	0.04	0.09	0.08	0.08	0.05	0.01	0.00	0.00
Arkansas.....	1.12	0.18	0.00	0.02	0.02	0.01	0.06	0.10	0.07	0.03	0.03	0.01	0.01
Florida.....	0.94	-0.02	0.00	0.00	0.01	0.06	0.04	0.02	0.08	0.04	0.01	0.01	0.02
Georgia.....	0.77	-0.01	0.00	0.01	0.02	0.04	0.07	0.10	0.12	0.05	0.02	-0.14	0.01
Kentucky.....	0.79	-0.02	0.00	0.05	0.01	0.01	0.10	0.08	0.09	0.04	-0.13	0.01	0.01
Louisiana.....	1.01	0.00	0.00	0.10	0.02	0.06	0.09	0.04	0.06	0.04	0.05	0.02	-0.02
Mississippi.....	1.01	0.08	0.00	0.03	0.02	0.03	0.14	0.04	0.07	0.04	0.03	0.01	0.01
North Carolina.....	1.12	-0.02	0.00	0.00	0.01	0.04	0.09	0.11	0.09	0.04	0.01	0.01	0.02
South Carolina.....	0.95	-0.04	0.00	0.00	0.02	0.04	0.10	0.10	0.08	0.04	0.01	0.01	0.00
Tennessee.....	1.01	0.00	0.00	0.01	0.00	0.01	0.10	0.10	0.10	0.05	0.03	0.01	0.00
Virginia.....	1.05	0.00	0.00	0.01	0.02	0.02	-0.02	0.06	0.06	0.04	0.01	0.01	0.01
West Virginia.....	0.85	0.01	0.00	0.13	0.03	-0.02	0.07	0.08	0.03	0.02	-0.01	0.01	0.01
Southwest													
Arizona.....	0.68	-0.03	0.00	0.02	0.02	-0.08	0.06	0.03	0.11	0.07	-0.06	0.01	-0.04
New Mexico.....	1.11	-0.01	0.00	0.09	0.02	0.13	0.04	0.02	0.04	0.05	0.02	0.01	0.00
Oklahoma.....	1.20	0.09	0.00	0.25	-0.06	0.01	0.11	0.17	0.08	0.00	0.04	-0.05	0.00
Texas.....	1.39	-0.01	0.00	0.18	0.03	0.08	0.09	0.11	0.11	0.05	0.04	0.01	0.01
Rocky Mountain													
Colorado.....	0.99	-0.02	0.00	0.10	0.02	-0.01	0.01	-0.09	0.08	0.05	0.03	0.06	-0.01
Idaho.....	0.49	-0.38	-0.01	0.01	0.01	-0.06	0.04	0.05	0.06	0.08	0.02	0.01	0.02
Montana.....	0.96	0.00	0.00	0.07	0.03	0.03	0.04	0.03	0.07	0.07	0.01	0.00	0.00
Utah.....	1.64	-0.03	0.00	0.05	0.01	0.19	0.14	0.10	0.12	0.09	0.01	0.03	0.06
Wyoming.....	0.93	-0.03	0.00	0.34	0.03	-0.10	0.03	0.04	0.08	0.03	0.04	0.00	0.00
Far West													
Alaska.....	0.67	-0.01	0.00	0.11	0.02	0.10	0.01	0.05	0.02	0.03	0.09	-0.01	0.01
California.....	0.88	-0.06	0.00	0.01	0.02	0.00	0.07	0.06	0.08	0.03	0.02	0.01	-0.02
Hawaii.....	1.05	-0.02	0.00	0.00	0.02	0.19	0.02	0.04	0.06	0.09	0.00	-0.01	0.03
Nevada.....	1.01	-0.01	0.00	0.01	0.01	-0.01	0.02	0.02	0.06	0.05	0.02	0.01	-0.03
Oregon.....	0.87	-0.14	0.00	0.01	0.01	0.09	0.07	0.04	0.10	0.06	0.02	0.02	-0.01
Washington.....	1.42	-0.11	-0.01	0.01	0.00	0.09	0.28	0.04	0.11	0.08	0.01	0.27	0.01
BEA regions													
New England.....	0.53	-0.01	0.00	0.00	0.00	0.00	0.07	0.06	0.07	0.02	0.01	0.01	-0.35
Mideast.....	0.06	-0.01	0.00	0.01	0.01	0.03	0.05	0.01	0.07	0.03	0.01	0.01	-0.79
Great Lakes.....	0.80	-0.07	0.00	0.01	0.02	0.01	0.11	0.09	0.08	0.03	0.01	0.00	-0.06
Plains.....	0.95	-0.05	0.00	0.01	0.02	-0.01	0.08	0.09	0.09	0.04	0.02	0.00	-0.01
Southeast.....	0.96	0.00	0.00	0.02	0.02	0.04	0.06	0.07	0.08	0.04	0.01	-0.01	0.01
Southwest.....	1.24	-0.01	0.00	0.16	0.02	0.05	0.08	0.10	0.10	0.05	0.02	0.01	0.00
Rocky Mountain.....	1.06	-0.07	0.00	0.09	0.02	0.03	0.05	-0.01	0.09	0.06	0.02	0.04	0.01
Far West.....	0.96	-0.07	0.00	0.01	0.02	0.02	0.09	0.05	0.08	0.04	0.02	0.04	-0.02

See the footnotes at the end of the table.

year (table 1). The main contributors to its second-quarter growth were professional services, construction, and durable-goods manufacturing.

In New York, Connecticut, and North Dakota, on the other hand, growth was notably slower than the national average. The slow second-quarter growth in New York and Connecticut reflected unusually large first-quarter bonuses in the finance industry, which is

heavily concentrated in those states. North Dakota's slow growth was concentrated in farming; slow farm earnings reduced personal income growth nearly 1 percentage point.

In the second quarter, eight states had growth rates that were less than the national inflation rate. Two regions (New England and the Mideast) out of eight BEA regions had income growth less than the inflation rate.

Table A. Contributions to Percent Change in Earnings by Place of Work by State and Region, 2007:I–2007:II¹—Table Ends

[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	-0.01	0.19	0.05	0.03	0.00	0.15	0.02	0.05	0.03	0.01	0.01	0.11
New England												
Connecticut.....	-0.06	0.17	0.08	0.03	0.00	0.14	0.02	0.03	0.03	0.00	0.00	0.09
Maine.....	-0.01	0.12	0.03	0.03	0.00	0.23	0.01	0.06	0.03	0.01	0.01	0.09
Massachusetts.....	-0.01	0.28	0.07	0.03	0.00	0.19	0.02	0.05	0.03	0.01	0.00	0.08
New Hampshire.....	-0.02	0.17	0.07	0.03	0.00	0.18	0.02	0.06	0.04	0.00	0.01	0.08
Rhode Island.....	0.00	-0.15	0.09	0.01	0.01	0.16	0.02	0.05	0.03	0.02	0.05	0.11
Vermont.....	0.00	0.14	0.00	0.01	0.00	0.19	0.01	0.07	0.03	0.00	-0.01	0.12
Mideast												
Delaware.....	0.00	0.23	0.10	0.03	0.00	0.17	0.02	0.05	0.04	0.02	0.01	0.12
District of Columbia.....	-0.04	1.06	-0.37	0.15	-0.02	0.21	0.01	0.16	0.34	0.15	0.08	0.09
Maryland.....	0.01	0.25	0.03	0.03	0.00	0.13	0.01	0.04	0.03	0.01	-0.02	0.09
New Jersey.....	-0.01	0.21	0.08	0.02	0.00	0.14	0.01	0.04	0.03	0.02	0.00	0.09
New York.....	0.01	0.24	0.06	-0.01	0.01	0.13	0.04	0.03	0.02	0.00	0.00	0.06
Pennsylvania.....	-0.01	0.18	0.08	0.03	0.00	0.19	0.02	0.04	0.03	0.02	-0.01	0.07
Great Lakes												
Illinois.....	-0.07	0.22	0.08	0.05	-0.01	0.14	0.01	0.05	0.03	0.00	0.01	0.09
Indiana.....	-0.01	0.10	0.04	0.01	-0.01	0.14	0.02	0.03	0.03	0.01	-0.01	0.11
Michigan.....	-0.04	0.14	0.06	0.02	0.00	0.17	0.01	0.04	0.02	0.01	-0.01	0.10
Ohio.....	-0.01	0.14	0.09	0.03	0.00	0.16	0.02	0.04	0.03	0.01	0.00	0.10
Wisconsin.....	0.00	0.11	0.05	0.05	0.00	0.17	0.02	0.04	0.04	0.00	0.00	0.10
Plains												
Iowa.....	0.00	0.09	0.04	0.02	0.00	0.14	0.01	0.05	0.03	0.01	0.00	0.13
Kansas.....	-0.01	0.15	0.03	0.04	0.00	0.13	0.00	0.04	0.05	-0.02	0.22	0.10
Minnesota.....	-0.01	0.17	0.11	0.04	0.00	0.18	0.02	0.04	0.03	0.01	0.00	0.12
Missouri.....	0.00	0.16	0.09	0.03	0.00	0.16	0.03	0.05	0.04	0.01	-0.01	0.11
Nebraska.....	0.00	0.11	0.08	0.02	0.01	0.16	0.01	0.03	0.04	0.00	0.00	0.10
North Dakota.....	0.00	0.11	0.06	-0.01	0.00	0.18	0.01	0.05	0.03	-0.02	-0.02	0.08
South Dakota.....	-0.03	0.08	0.04	0.02	0.00	0.21	0.01	0.06	0.04	0.00	-0.01	0.09
Southeast												
Alabama.....	-0.01	0.14	0.02	0.02	0.00	0.13	0.00	0.04	0.03	0.01	0.01	0.12
Arkansas.....	-0.01	0.10	0.08	0.02	0.00	0.15	0.01	0.05	0.03	0.00	0.03	0.13
Florida.....	0.00	0.17	0.04	0.07	0.01	0.16	0.05	0.08	0.04	-0.01	-0.01	0.10
Georgia.....	-0.01	0.19	-0.17	0.04	0.00	0.13	0.01	0.06	0.04	0.02	0.05	0.12
Kentucky.....	0.00	0.11	0.04	0.03	0.00	0.15	0.01	0.04	0.03	0.02	0.00	0.10
Louisiana.....	0.03	0.12	0.04	0.00	-0.02	0.16	-0.04	0.10	0.01	0.00	0.03	0.10
Mississippi.....	0.00	0.11	0.04	0.02	0.00	0.12	0.01	0.04	0.03	0.02	0.03	0.11
North Carolina.....	-0.01	0.15	0.07	0.04	0.00	0.14	0.02	0.05	0.04	0.03	0.04	0.14
South Carolina.....	0.00	0.13	0.03	0.03	0.00	0.13	0.01	0.07	0.04	0.01	0.02	0.13
Tennessee.....	-0.01	0.14	0.03	0.05	0.00	0.18	0.02	0.06	0.04	0.00	0.00	0.10
Virginia.....	-0.01	0.34	0.09	0.04	0.01	0.09	0.01	0.04	0.05	0.00	0.04	0.12
West Virginia.....	0.00	0.12	0.02	0.03	-0.01	0.10	0.02	0.03	0.03	0.04	0.01	0.09
Southwest												
Arizona.....	-0.01	0.19	-0.12	0.02	0.01	0.16	0.03	0.06	0.04	0.04	0.00	0.12
New Mexico.....	0.00	0.24	0.02	0.06	0.00	0.14	0.01	0.07	0.04	0.03	-0.03	0.11
Oklahoma.....	0.00	0.14	0.03	0.01	0.01	0.10	0.01	0.03	0.09	0.01	-0.04	0.17
Texas.....	0.00	0.24	0.03	0.04	0.00	0.14	0.00	0.07	0.02	0.01	0.01	0.13
Rocky Mountain												
Colorado.....	-0.02	0.30	0.05	0.03	0.00	0.12	0.03	0.06	0.04	0.01	0.03	0.10
Idaho.....	0.00	0.19	0.07	0.04	0.00	0.14	0.01	0.04	0.02	0.01	0.00	0.11
Montana.....	-0.05	0.13	0.01	0.02	0.00	0.17	0.03	0.08	0.03	0.06	-0.01	0.15
Utah.....	0.01	0.25	0.08	0.04	0.02	0.14	0.02	0.07	0.07	0.04	0.01	0.11
Wyoming.....	-0.01	0.11	0.01	0.00	0.00	0.11	0.01	0.09	0.05	0.00	0.00	0.11
Far West												
Alaska.....	0.00	0.13	0.02	0.03	0.00	0.18	0.01	0.09	0.01	-0.02	-0.25	0.04
California.....	-0.02	0.22	0.04	0.03	0.00	0.12	0.03	0.06	0.03	0.02	0.01	0.14
Hawaii.....	0.01	0.10	0.04	0.08	0.01	0.16	0.02	0.23	0.05	-0.03	0.01	-0.03
Nevada.....	0.00	0.13	0.10	0.02	0.00	0.14	0.02	0.22	0.03	0.02	0.01	0.18
Oregon.....	0.01	0.14	0.07	0.02	0.00	0.16	0.00	0.06	0.02	-0.01	0.00	0.14
Washington.....	-0.01	0.17	0.05	0.03	-0.01	0.14	0.02	0.05	0.04	0.00	0.04	0.12
BEA regions												
New England.....	-0.02	0.20	0.07	0.03	0.00	0.17	0.02	0.05	0.03	0.01	0.01	0.09
Mideast.....	0.00	0.24	0.06	0.01	0.00	0.15	0.03	0.04	0.03	0.01	0.00	0.07
Great Lakes.....	-0.03	0.16	0.07	0.03	0.00	0.16	0.01	0.04	0.03	0.00	0.00	0.10
Plains.....	0.00	0.14	0.08	0.03	0.00	0.16	0.02	0.04	0.04	0.00	0.03	0.11
Southeast.....	0.00	0.17	0.02	0.04	0.00	0.14	0.02	0.06	0.04	0.01	0.02	0.11
Southwest.....	0.00	0.22	0.01	0.04	0.00	0.14	0.01	0.07	0.03	0.01	0.00	0.13
Rocky Mountain.....	-0.01	0.25	0.05	0.03	0.00	0.13	0.02	0.06	0.05	0.02	0.02	0.11
Far West.....	-0.01	0.20	0.04	0.03	0.00	0.13	0.03	0.07	0.03	0.01	0.01	0.13

1. An industry's contribution to percent change in personal income equals the dollar change in that industry's earnings divided by personal income in the previous quarter times 100.

2. Earnings by place of work is the sum of wage and salary disbursements (payrolls), supplements to wages

and salaries, and proprietors' income.

3. "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.

Taxes, transfers, and the farm sector

As is customary in September, BEA released preliminary state estimates for the previous year of tax payments by level of government, transfer receipts by major program, and detailed farm income and expenses. The new estimates, based on surveys and tabulations of administrative data, replace estimates of total taxes, total transfers, and total farm proprietors' income that were mostly extrapolations of past trends.¹

Taxes. Personal current tax payments, primarily income taxes, increased at a faster pace than personal income in 2006, continuing the pattern of 2005. Total tax payments increased 12 percent, in contrast to personal income growth of only 6.6 percent. Payments to both the Federal Government and to state governments exceeded the personal income growth rate, increasing 13

percent and 9.3 percent, respectively. Tax payments to local governments increased only 5.1 percent.² The increases in 2006 were smaller than the 2005 increases in tax payments for all levels of government.

Increases in personal current taxes paid to the Federal Government ranged from 7.1 percent in Michigan to 17 percent in Idaho. The largest increases were in states in the Rocky Mountain and Southwest regions, in line with their strong wage growth in 2006. Arizona, Idaho, Oklahoma, Texas, Utah, and Wyoming each had increases of 16 percent or more. In contrast, Federal tax payments increased 10 percent or less in Michigan, Ohio, and Indiana (all in the Great Lakes region). These state had the weakest wage growth in 2006.

Increases in personal current tax payments to state governments ranged from 17 percent in California to

1. The only source data available for the state quarterly estimates of transfer receipts and farm proprietors' income had been unemployment benefits data from the Department of Labor and farm cash receipts from the Department of Agriculture (see table B).

2. About three-quarters of the national total of personal current taxes paid to local governments and 83 percent of the national total of local income taxes are paid in Maryland, New York, Ohio, and Pennsylvania.

Relation of Personal Income in the NIPAs and State Personal

The level of personal income estimates in the national income and product accounts (NIPAs) differs from the national total in the state personal income estimates because of differences in coverage and in the timing of the availability of source data.

The differences in coverage stem from different concepts of residence. For NIPA personal income, a U.S. resident has a center of economic interest in the country and resides, or expects to reside, in the country for a year or more. For state personal income, a resident is a participant in a U.S. regional economy, regardless of the individual's national allegiance or duration of residence.

In general, the NIPA measure of personal income is broader than state personal income. Some key coverage differences are:

- NIPA personal income includes the earnings of Federal civilian and military personnel stationed abroad and the investment income received by the Federal retirement plans of these workers. The regional measure of personal income does not include this income.
- NIPA personal income includes all income earned by U.S. citizens living abroad for less than a year. State personal income excludes the portion earned while an individual lives abroad.
- NIPA personal income includes the income of foreign nationals only if they live and work in the United States for a year or more. State personal income includes the income of resident foreign nationals working in the United States—including migrant workers—regardless of length of residency.

The annual estimates of personal income in the NIPAs also diverge from the national total of state personal income because of differences in the timing of the availability of source data. For example, farm proprietors' income in the NIPAs for 2006 was \$3.5 billion higher than in state personal income, because the state estimates of farm proprietors' income incorporated revised U.S. Department of Agriculture data that were not available until after the national estimate was released.

Both NIPA and state personal income include the income of U.S. residents employed by international organizations or by other countries while living in the United States and exclude the income of foreign nationals employed by their home governments or by international organizations in the United States. In addition, both measures exclude the income of private U.S. citizens living outside the country for a year or more.

Jeffrey L. Newman

State and National Estimates of Personal Income

[Billions of dollars]

	2004	2005	2006
Personal income in the NIPAs	9,727.2	10,301.1	10,983.4
Plus adjustments for:			
Coverage differences	-14.2	-15.0	-15.5
Federal workers abroad.....	-21.1	-22.2	-22.7
Wage and salary disbursements.....	-13.8	-14.4	-14.6
Supplements to wages and salaries ¹	-7.8	-8.3	-8.7
Dividends, interest, and rent ²	-0.9	-1.0	-0.9
Less: Contributions for government social insurance.....	-1.4	-1.5	-1.5
Rest-of-the-world difference.....	6.9	7.2	7.2
Wages of private foreign nationals in U.S.....	7.2	7.6	7.9
Wages of private U.S. nationals abroad.....	-0.3	-0.4	-0.7
Use of more current source data	-1.7	-1.7	-1.1
Wage and salary disbursements.....	-0.3	-0.9	2.0
Proprietors' income.....	-1.9	-1.2	-3.5
Personal current transfer receipts.....	0.5	0.4	0.4
Equals: State personal income	9,711.3	10,284.4	10,966.8

1. Consists of employer contributions for government social insurance and for employee pension and insurance funds for Federal workers stationed abroad.

2. Consists of the investment income received by Federal retirement plans that is attributed to Federal workers stationed abroad.

1.2 percent in Ohio. Payments declined 5.6 percent in Kentucky, which reduced tax rates and expanded a low income tax credit.

Changes in personal current taxes paid to local governments ranged from an 18 percent increase in Indiana to a 54 percent decline in Oregon. The increase in Indiana is only partly attributable to higher tax rates in several counties; variation in the processing speed of income tax returns and the reconciliation of estimated and actual payments were also responsible.

The decline in Oregon was a result of the expiration of Multnomah County's temporary 3-year levy of 1.25 percent on the Oregon taxable income of county residents. This was the only local income tax in the state. All other personal current taxes paid to local governments in Oregon are for motor vehicle licenses, registration of pleasure boats, marriage license fees, and licenses for pets.

Transfers. Personal current transfer receipts increased 6.0 percent in 2006 after growing 6.9 percent in 2005. Medicare benefits increased 21 percent in 2006 (up from 10 percent growth in 2005) in part because of a new drug benefit (see the box "Medicare Prescription Drug Plan"). Food stamp benefits, unemployment in-

surance compensation, Federal education and training assistance, and benefits from a set of miscellaneous programs, including disaster assistance, declined in response to continued strong economic growth and recovery from Hurricane Katrina.³

Farm income and expenses. Farm proprietors' income fell to \$15.8 billion in 2006, compared with \$29.6 billion in 2005. The large drop in farm-sector income reduced national personal income growth by only 0.1 percentage point, but it reduced South Dakota's personal income growth 3.0 percentage points. In addition, the farm sector reduced personal income growth by 0.5 percentage point or more in North Dakota, Montana, Mississippi, Nebraska, Wyoming, Iowa, Idaho, Kansas, New Mexico, and Oklahoma.

Crop cash receipts of farmers were up 4 percent, bolstered by strong demand for corn. Corn cash receipts were up 19 percent, as growing demand by ethanol producers boosted corn prices. Of the five largest corn growing states, corn cash receipts were up almost 40 percent in Minnesota, between 18 and 21 percent

3. The set of miscellaneous programs are called other transfer receipts of individuals from governments in table SA35 on <www.bea.gov>.

Medicare Prescription Drug Plan

The Medicare Prescription Drug Plan, also known as Medicare Part D, is a voluntary prescription drug insurance program available to elderly and disabled persons that began January 1, 2006. The plan was designed to increase the availability and to reduce the cost of outpatient prescription drugs to persons covered by Medicare. To receive benefits, persons aged 65 or more must be enrolled in an approved insurance plan that has a prescription drug component, pay the required premiums, and meet the mandated deductibles. Persons who qualify for Medicaid are automatically enrolled in the program if they do not select a plan on their own.

Three aspects of the prescription drug plan affect personal income directly: Premium payments from enrollees, payments to qualified insurance plans on behalf of enrollees, and incentive payments to employers.

Premium payments made to prescription drug plans by enrollees of the Medicare Prescription Drug Plan are treated in the national income and product accounts (NIPAs) as employee and self-employed contributions for government social insurance. This is similar to the treatment of premiums paid for Medicare Part B, the other component of Supplementary Medical Insurance. Employee and self-employed contributions for government social insurance are a deduction in the derivation of personal income. Premiums paid for Medicare Part D were slightly more than \$1 billion in 2006.

Federal Government payments to qualified insurance plans on behalf of enrollees are recorded in the NIPAs as personal current transfer receipts. In addition, Federal incentive payments to employers for continuing prescription drug coverage for their retirees are also recorded as personal current transfer receipts. The total of these payments in 2006 was \$45 billion, about 11 percent of all Medicare benefits.

While Medicare benefits were growing because of the new prescription drug plan, Medicaid benefits were falling. Nationally, Medicaid benefits fell 1.6 percent in 2006 after increasing 5.2 percent in 2005. Part of the decline can be attributed to the switching of some drug benefits formerly provided by Medicaid to the new Medicare Prescription Drug Plan.

In addition, the Medicare Prescription Drug Plan may have affected the health insurance component of employer contributions to employee pensions and health insurance (a component of compensation). This is because those employers who accepted incentive payments from the Federal Government to continue drug coverage for their retirees could reduce their own contributions commensurately. Other employers may have decided to eliminate drug coverage for their retirees, expecting them to obtain coverage under the Medicare Prescription Drug Plan. The magnitude of these impacts is not readily identifiable in the source data.

in Iowa, Nebraska, and Indiana, and 0.2 percent in Illinois.⁴

However, the high corn prices increased livestock

4. The value of corn production actually increased 25 percent in Illinois. Cash receipts, however, were essentially the same in 2005 and 2006 because in 2005, farmers reduced their corn inventories, raising cash receipts above the value of production, and in 2006, farmers built up their corn inventories, reducing cash receipts below the value of production.

feed expenses nearly 9 percent in 2006 after falling 6 percent in 2005. Other production expenses were up only 3 percent. As a result, farmers slaughtered more livestock for sale, depressing prices, and lowering cash receipts.⁵ Cash receipts for livestock were down about 4

5. Poor pasturage and low dairy prices also contributed to the decision to increase livestock slaughter.

Data Availability

This article presents summary estimates of annual personal income and disposable personal income for 2001–2006; estimates of annual personal income by major source and earnings by industry for 2004–2006; estimates of quarterly personal income for the third quarter of 2003 to the second quarter of 2007; and quarterly personal income by major source and earnings by major industry for the fourth quarter of 2005 to the second quarter of 2007. These estimates and more detailed estimates of personal income and employment for states are available interactively on BEA's Web site.

The following annual state estimates are available at <www.bea.gov/bean/regional/spi/>:

- Personal income, per capita personal income, and population for 1929–2006
- Disposable personal income and per capita disposable personal income for 1948–2006
- State income and employment summary, 1948–2006
- Personal income by major source and earnings by industry (North American Industry Classification System (NAICS) three digit) for 1990–2006, (Standard Industrial Classification System (SIC) two digit) for 1958–2000, and (SIC division level) for 1929–57
- Personal income by major source and earnings by major industry (SIC division level) for 2001
- Compensation of employees by industry (NAICS three digit) for 2001–2006 and (SIC two digit) for 1998–2000
- Compensation of employees by industry (SIC division level) for 2001
- Wage and salary disbursements by industry (NAICS three digit) for 2001–2006, (SIC two digit) for 1958–2000, and (SIC division level) for 1929–57
- Wage and salary disbursements by major industry (SIC division level) for 2001
- Full-time and part-time employment by industry (NAICS three digit) for 1990–2006, (SIC two digit) for 1969–2000, and (SIC division level) for 2001
- Full-time and part-time wage and salary employment by industry (NAICS three digit) for 2001–2006, (SIC two digit) for 1969–2000, and (SIC division level) for 2001
- State economic profiles (a selection of personal income and employment data for each state) for 1958–2006
- Personal current transfer receipts by major program for 1948–2006

- Farm income and expenses (including the major categories of gross receipts and expenses for all farms and for measures of farm income) for 1969–2006
- Personal current tax receipts by level of government and by type for 1948–2006

The following quarterly state estimates are available at <www.bea.gov/bean/regional/sqpi/>:

- Personal income for the first quarter of 1948 to the second quarter of 2007
- Quarterly income summary for the first quarter of 1948 to the second quarter of 2007
- Personal income by major source and earnings by major industry (NAICS two digit) for the first quarter of 2001 to the second quarter of 2007
- Personal income by major source and earnings by major industry (SIC division level) for the first quarter of 1948 to the fourth quarter of 2001
- Compensation of employees by industry (NAICS two digit) for the first quarter of 2001 to the second quarter of 2007
- Compensation of employees by industry (SIC division level) for the first quarter of 1998 to the fourth quarter of 2001
- Wage and salary disbursements by major industry (NAICS two digit) for the first quarter of 2001 to the second quarter of 2007
- Wage and salary disbursements by major industry (SIC division level) for the first quarter of 1948 to the fourth quarter of 2001

In addition, the entire set of estimates for all states will be available in October 2007 on a CD-ROM, including an updated description of the sources and methods used to estimate state personal income. To order the free CD-ROM *State Personal Income, 1929–2006* (product number RCN–0852), call the Order Desk at 1–800–704–0415 (outside the United States, call 202–606–9666).

The state personal income estimates are also available through the members of the BEA User Group, which consists of state agencies and universities that help BEA disseminate estimates in their states. For a list of User Group members, go to <www.bea.gov/bean/regional/docs/usergrp.cfm>.

For more information about these estimates, please call the Regional Economic Information System at 202–606–5360, fax 202–606–5322, or e-mail <reis.remd@bea.gov>.

Table B. Major New or Revised Source Data in State Personal Income and Personal Current Taxes Since the March 2007 Release

Component of personal income	Annual estimates			Quarterly estimates	
	2004	2005	2006	2007:I	2007:II
Wage and salary disbursements by industry	New CBP estimates; revised USDA farm labor expenses.	Revised QCEW wage data; new RRB state payroll data; new CBP estimates; new Census of Governments data; revised USDA farm labor expenses.	New QCEW wage data; new DOD personnel and average pay data; new Coast Guard payroll data; new Official Catholic Directory data; revised Census Bureau population data; new BLS presumed-noncovered data; revised USDA farm labor expenses.	New QCEW wage data; revised DOD personnel and average pay data; revised Coast Guard payroll data; revised CES data for March; revised Department of Transportation payroll data.	New CES employment data for April, May, and June; new DOD personnel and average pay data; new Coast Guard payroll data; new Department of Transportation payroll data.
Employer contributions for employee pension and insurance funds by industry	Revised Census Bureau data on contributions to state and local government retirement systems.	New Census Bureau data on contributions to state and local government retirement systems; new NAIC earned premium data.	New FRA data on casualties.		
Employer contributions for government social insurance by industry		Revised QCEW data on contributions to unemployment insurance funds; new Census Bureau data on state-administered workers' compensation programs.	New QCEW data on contributions to unemployment insurance funds.		
Farm proprietors' income	Revised USDA estimates of gross income and expenses.	Revised USDA estimates of gross income and expenses.	New USDA estimates of gross income and expenses.	Revised USDA estimates of farm cash receipts for January and February, 2007, new estimates for March 2007; revised USDA U.S. level farm income forecast.	New USDA estimates of farm cash receipts for April and May 2007; revised USDA U.S. level farm income forecast.
Nonfarm proprietors' income by industry	New IRS data on net receipts and profits of proprietorships and partnerships.				
Dividends, interest, and rent		New IRS income tax data on dividends, taxable interest, S Corporation distributions, and gross rents and royalties; new ACS data on the aggregate value of dwellings and mobile homes; revised Census Bureau population data; revised data on gross rental value of farm dwellings.			
Personal current transfer receipts		New Census Bureau state and local government finance data on disability benefits, income maintenance benefits and education benefits; new PBGC data on Pension Benefit Guaranty benefits; new IRS data on Refundable Earned Income Tax Credits; and new SSA data on Social Security benefits and Supplemental Security Income benefits.	New CMS and DOD data on medical benefits; new DVA data on veterans benefits; new HHS data on family assistance; new USDA data on food stamps; and new IRS data on Refundable Earned Income Tax Credits.	Revised Department of Labor unemployment benefits data.	New Department of Labor unemployment benefits data.
Employee and self-employed contributions for government social insurance	New SSA data on OASDHI contributions from self-employed workers; new CMS supplemental medical insurance enrollment data.	New CMS supplemental medical insurance enrollment data; new Census Bureau data on state temporary disability insurance; new RRB contributions data.	New data on personal contributions for state unemployment insurance.		
Personal current taxes	Revised Census Bureau data on quarterly tax collections and state tax collections; new Census Bureau data on local tax collections; new tax collection data from the states.	New IRS income tax data; revised Census Bureau data on quarterly tax collections and state tax collections; new Census Bureau data on local tax collections; new tax collection data from the states.	New Census Bureau data on quarterly tax collections and state tax collections; new tax collection data from the states.		

ACS American Community Survey, Census Bureau
 CBP County Business Patterns, Census Bureau
 CES Current Employment Statistics survey, Bureau of Labor Statistics
 CMS Centers for Medicare and Medicaid Services
 DOD Department of Defense
 DVA Department of Veterans Affairs
 FRA Federal Railroad Administration
 HHS Health and Human Services

IRS Internal Revenue Service
 NAIC National Association of Insurance Commissioners
 PBGC Pension Benefit Guaranty Corporation
 QCEW Quarterly Census of Employment and Wages, Bureau of Labor Statistics
 RRB Railroad Retirement Board
 SSA Social Security Administration
 USDA U.S. Department of Agriculture

percent in 2006. In addition, high crop prices reduced government payments in 2006, which fell 37 percent from 2005.

Revisions

Quarterly and annual estimates of state personal income have been revised, beginning with the first quarter of 2004. The estimates released in March are usually revised each September in order to incorporate source data that are more complete, more detailed, and otherwise more appropriate than those previously available (table B). The revisions also incorporate the results of the recent annual revision of the national income and product accounts (NIPAs).⁶

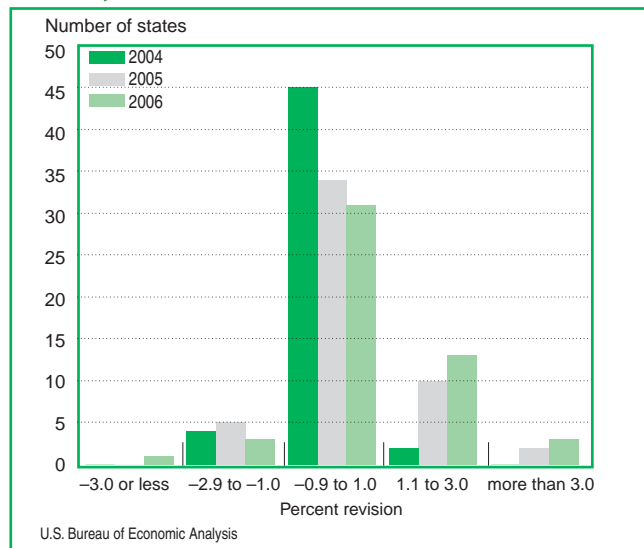
Annual revisions. The NIPA estimate of U.S. personal income in 2006, which controls the state estimates, was revised up 1.0 percent, the largest revision in the past several estimation cycles.⁷ The entire revision was accounted for by property income. State revisions to the 2006 personal income estimates were also slightly larger than revisions to preliminary annual estimates in the last several revision cycles, but fewer of the revisions were significantly different from the average. The average revision for the 50 states and the District of Columbia was 0.7 percent (with a standard deviation of 1.2) (table C). This compares with an average revision of -0.4 percent (with a standard deviation of 1.4) when the preliminary 2005 estimates were revised last year, and an average revision of 0.0 percent (with a standard deviation of 1.5) when the preliminary 2004 estimates were revised 2 years ago. Even so, the 2006 revisions for 31 states, either up or down, were less than 1 percent (chart 1).

In general, most of the large revisions to state personal income were attributable to the incorporation of new 2005 tax year, state-level Internal Revenue Service data for dividends, interest, and rent. Notable revisions

Table C. Revisions to Personal Income by State, 2004–2006 and 2007:1

	Percent revision			
	Annual			Quarterly
	2004	2005	2006	2007:1
United States	-0.1	0.6	1.0	1.3
New England				
Connecticut.....	0.4	0.7	1.9	2.6
Maine.....	0.7	0.1	-1.3	-0.5
Massachusetts.....	-0.4	0.2	0.8	0.7
New Hampshire.....	-0.2	-0.8	0.9	0.1
Rhode Island.....	0.4	1.2	-0.3	0.0
Vermont.....	1.2	-0.2	1.0	1.6
Mideast				
Delaware.....	-0.1	0.0	-0.1	3.8
District of Columbia.....	0.3	1.5	2.9	3.6
Maryland.....	-0.3	-0.9	-0.7	-0.9
New Jersey.....	-0.4	-1.2	0.0	0.2
New York.....	-0.3	2.4	3.7	4.1
Pennsylvania.....	0.1	-0.4	0.0	0.1
Great Lakes				
Illinois.....	0.7	0.3	0.2	-0.4
Indiana.....	-0.7	-0.9	-0.9	0.1
Michigan.....	-0.5	-0.3	-0.2	0.6
Ohio.....	-0.3	0.0	-0.4	0.8
Wisconsin.....	-1.0	-1.1	-0.6	-0.5
Plains				
Iowa.....	-0.8	-0.6	-0.7	0.5
Kansas.....	-1.1	-0.6	0.0	0.2
Minnesota.....	-0.2	-0.3	0.1	1.3
Missouri.....	0.5	0.5	0.3	0.0
Nebraska.....	-0.6	-0.3	0.0	0.6
North Dakota.....	0.9	2.2	1.5	3.4
South Dakota.....	-0.7	-2.2	-4.5	-2.2
Southeast				
Alabama.....	-0.3	-1.2	-1.4	-1.5
Arkansas.....	-0.2	1.0	1.8	2.7
Florida.....	0.0	2.1	2.4	2.4
Georgia.....	0.0	0.6	0.4	1.5
Kentucky.....	-0.2	0.3	1.2	1.3
Louisiana.....	0.4	0.5	1.3	1.2
Mississippi.....	0.5	1.6	1.4	2.2
North Carolina.....	-0.4	-0.8	0.3	0.7
South Carolina.....	-0.3	0.5	0.6	0.6
Tennessee.....	0.2	0.1	0.0	-0.8
Virginia.....	0.4	1.3	1.0	1.9
West Virginia.....	-0.2	0.1	0.6	0.5
Southwest				
Arizona.....	0.5	1.2	1.6	2.2
New Mexico.....	-1.8	0.5	0.2	1.2
Oklahoma.....	0.1	0.4	0.6	1.2
Texas.....	0.7	2.2	2.3	2.8
Rocky Mountain				
Colorado.....	-0.5	0.5	1.0	1.0
Idaho.....	-0.3	-0.7	0.0	0.5
Montana.....	0.1	0.7	0.6	1.7
Utah.....	0.2	3.1	2.3	2.7
Wyoming.....	0.2	-0.4	-0.3	-0.8
Far West				
Alaska.....	0.9	3.0	3.6	2.8
California.....	-0.2	0.9	1.0	0.9
Hawaii.....	-0.1	1.0	1.5	2.0
Nevada.....	1.2	4.7	5.2	5.2
Oregon.....	-1.4	-2.4	-1.2	-1.5
Washington.....	0.7	0.7	1.7	2.1
Average revision.....	0.0	0.4	0.7	1.1
Average absolute revision.....	0.5	1.0	1.2	1.5
Standard deviation of revision.....	0.6	1.3	1.5	1.5

Chart 1. Distribution of Revisions to State Personal Income, 2004–2006



NOTE: The annual revisions are computed from the March 2007 release and the quarterly revisions are computed from the June 2007 release.

include the following:

- For 2006, the revisions to state personal income were significantly different from average in three states: Nevada, New York, and South Dakota. In all three states the bulk of the revision is accounted for by the introduction of new data for dividends, interest, and rent for 2005. In addition, South Dakota's farm proprietors' income was also revised down sharply and New York's wages contributed 0.8 percentage points to the revision of its personal income.
- For 2005, Alaska, Nevada, Oregon, South Dakota, and Utah had revisions significantly different from average. In the case of Oregon, most of the revision was due to state and local government employer contributions to employee pension and health funds. In the other states, most of the revision was due to the new dividends, interest, and rent data for 2005. In addition, nonfarm proprietors' income contributed -0.5 percentage point to the revision of personal income in Utah, and transfer receipts and wage supplements each contributed about 0.5 percentage point to the revision of Alaska's personal income.
- For 2004, New Mexico, Nevada, and Oregon had revisions significantly different from average. In the

cases of Nevada and New Mexico, the new dividends, interest, and rent data for 2005 accounted for most of the revision, because a centered 3-year moving average is used to allocate a national estimate. Therefore new data for 2005 affects estimates for 2004 (and 2005 and 2006). In addition, revised nonfarm proprietors' income contributed -0.5 percentage point to New Mexico's revision of total personal income and revised state and local government employer contributions for employee pension and insurance funds contributed to revised total personal income in Oregon.

First-quarter revisions. Estimates for the first quarter of 2007, released in June, were also revised to incorporate newly available tabulations of wages covered by state unemployment insurance from the Bureau of Labor Statistics (BLS). Previously, the first-quarter estimates were extrapolated from fourth-quarter estimates using BLS employment data. The average revision to personal income for all states and the District of Columbia was 1.1 percent (table C). The revision makes the first quarter one of the strongest quarters in the current expansion, exceeded only by the 2.6-percent growth in the fourth quarter of 2004.

Tables 1 through 5 follow.