

# California's Economy and State Revenues



Presented to:

**Assembly Committee on Jobs, Economic  
Development, and the Economy**

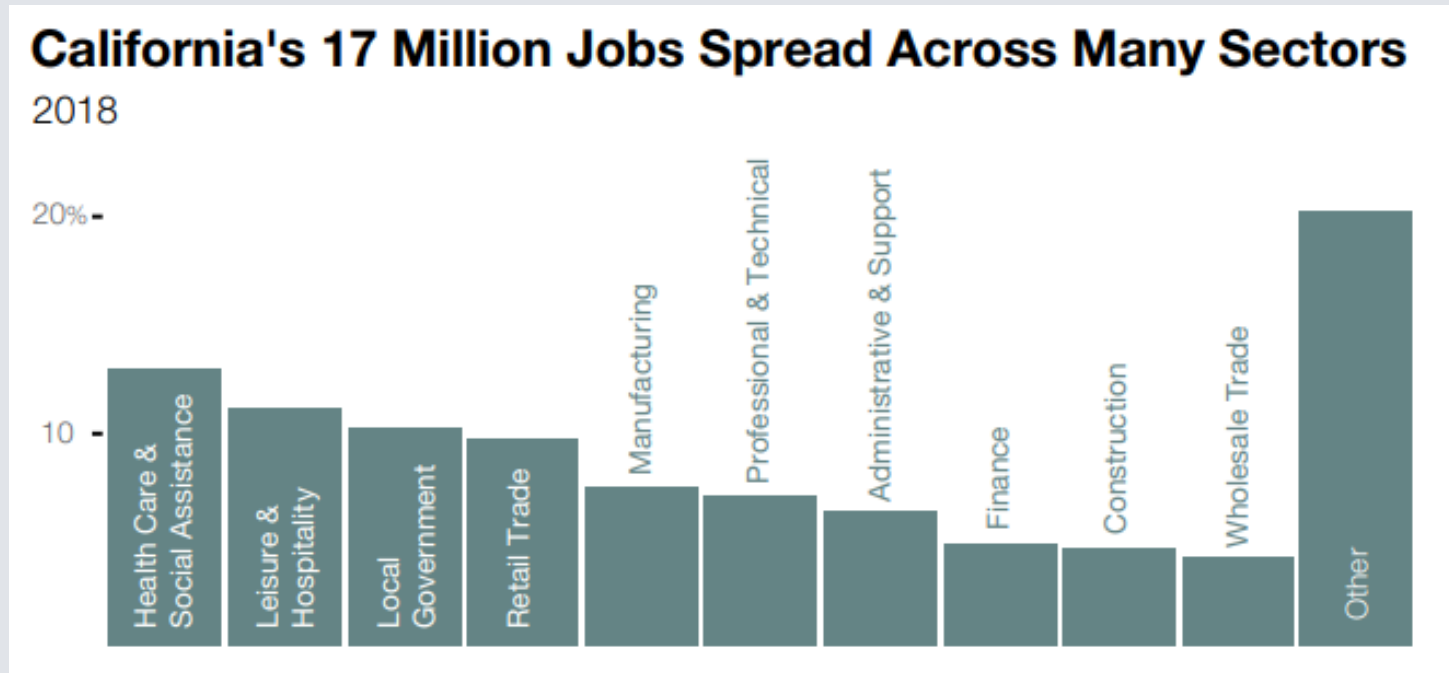
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**Legislative Analyst's Office**

# California's Economy is Big

- **Fifth largest economy in the world (GDP \$2.7 trillion in 2017).**
- **State population represents about 12 percent of the U.S., but its share of the national economy is over 14 percent.**

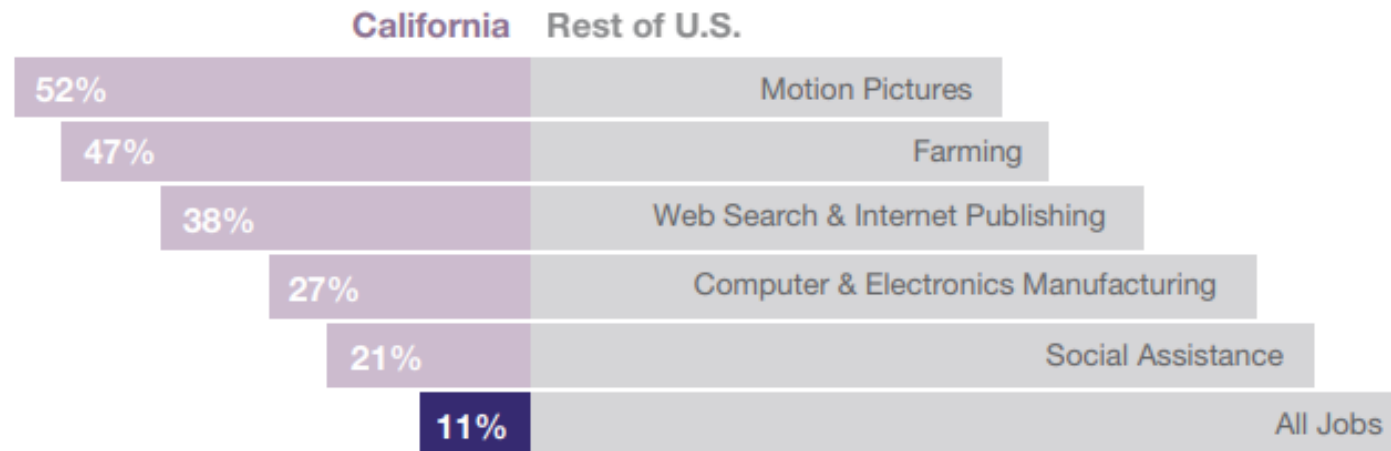
# Economy is Relatively Diverse



# High Concentration of Some Types of Jobs

## High Concentration of Motion Picture, Farm, and Web Search Jobs

Share of All U.S. Jobs by Sector



# Certain Areas Have Higher Concentrations of Particular Sectors

## Key Sectors Vary Across Regions of California

Regional Share of Statewide Jobs in **All Sectors**



Regional Share of Statewide Jobs in **Key Sectors**

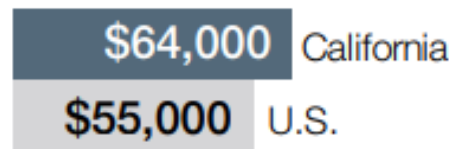


# Incomes Higher Than the Rest of U.S....

## California Incomes Higher Than U.S.

Household Income, 2016

### Median



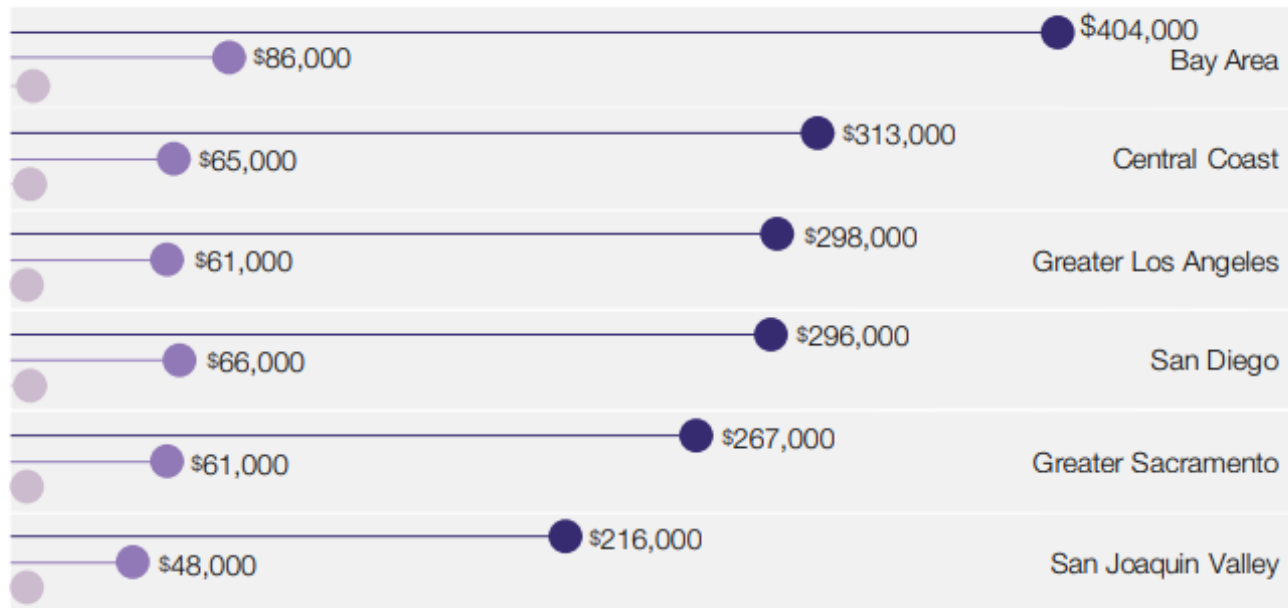
### Top 10 Percent



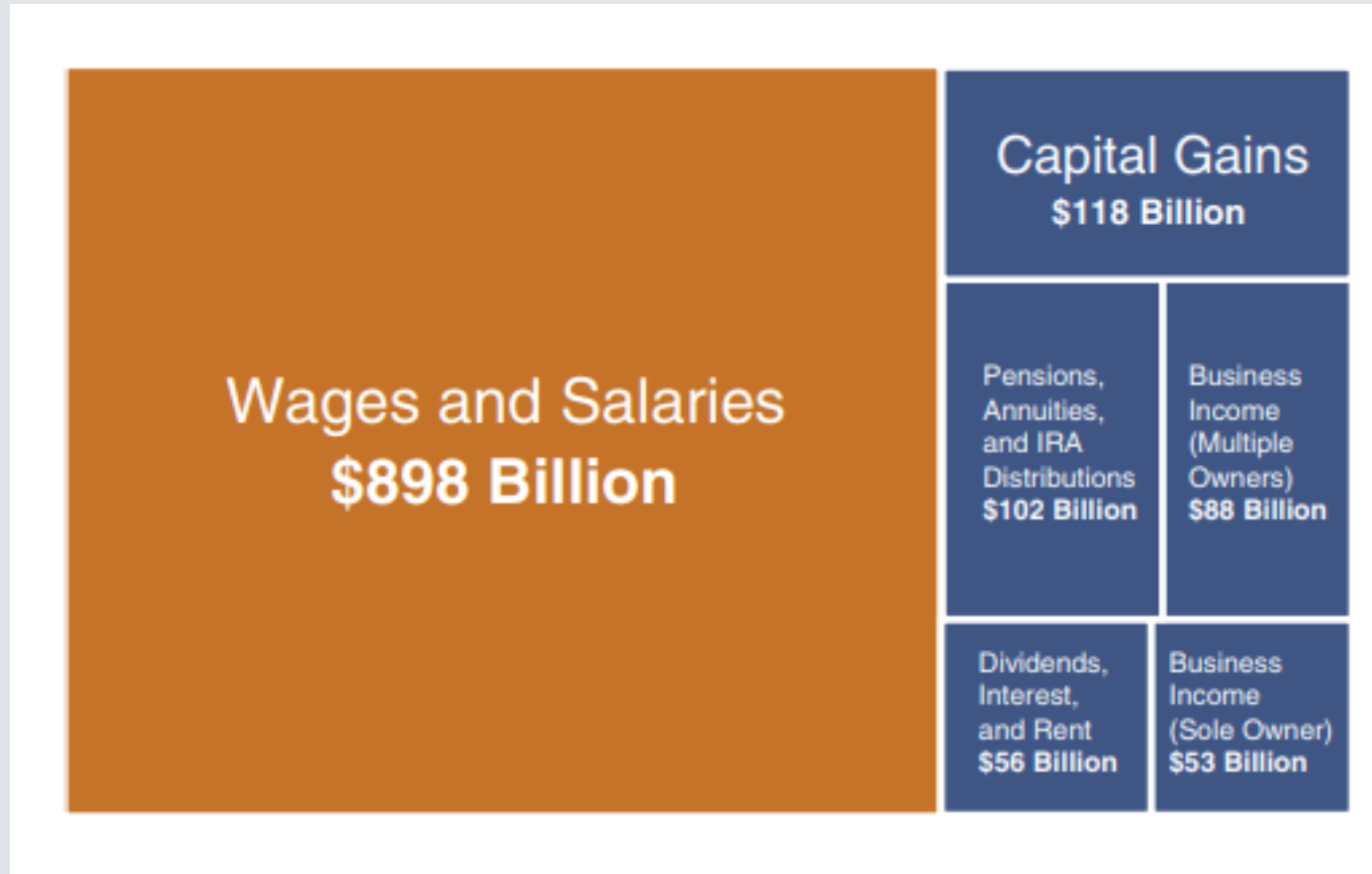
# ...But Also Vary Widely

## Incomes Vary Across Regions of the State

Bottom 10%, Median, and Top 10% Household Incomes



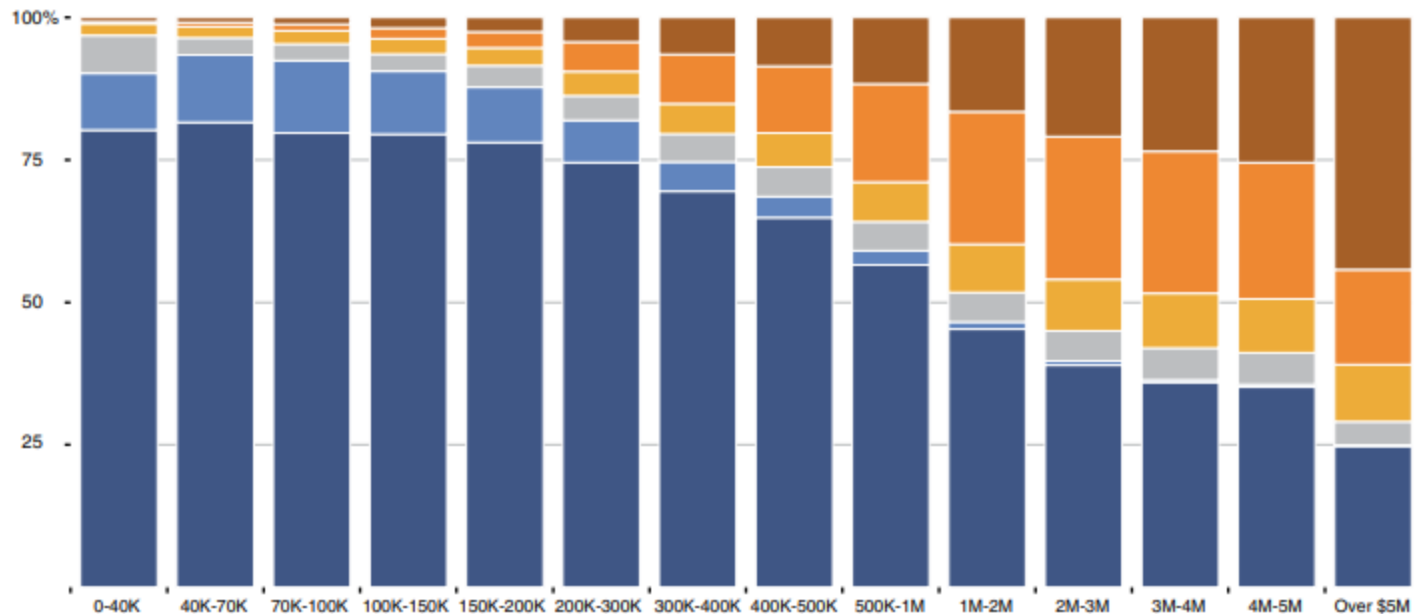
# About Two-Thirds of Income Comes from Wages and Salaries





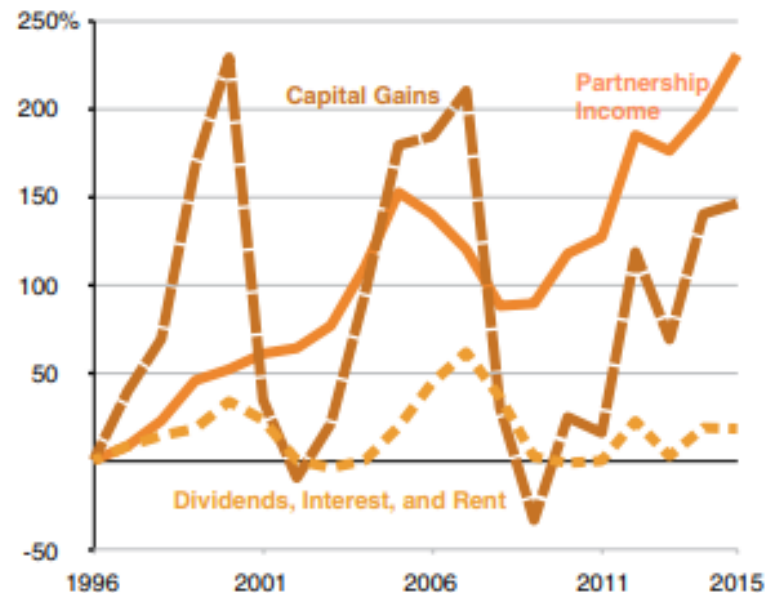
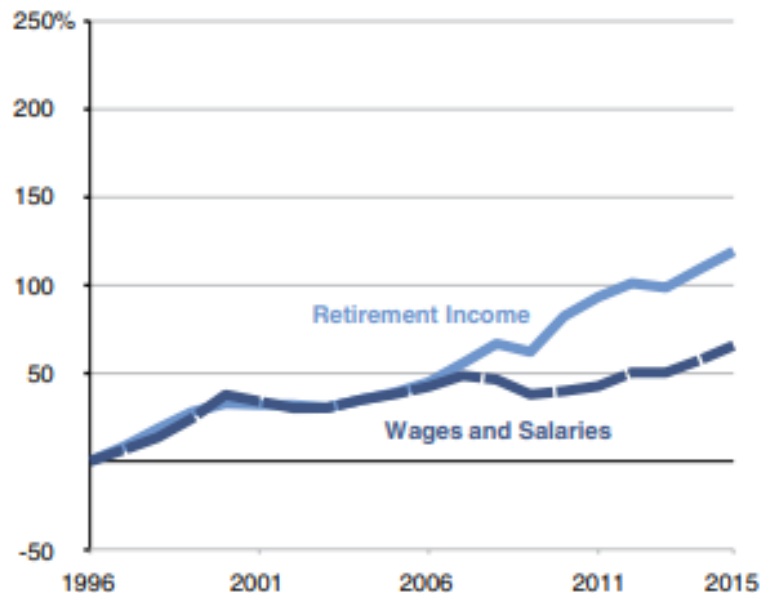
# Income Makeup Different for Low- and High-Income Earners

The graphic below shows how taxpayers in different income groups derive their income. Some types of income, including **wages and salaries** and **retirement income** (pensions, annuities, and IRA distributions) make up the majority of low- and middle-income taxpayers' incomes. These sources, however, account for a minority of the total incomes of the highest-income taxpayers, whose incomes are derived mostly from **capital gains, partnership income, and dividends, interest, and rent**. (All other income—mostly proprietors' income—is shown in grey.)



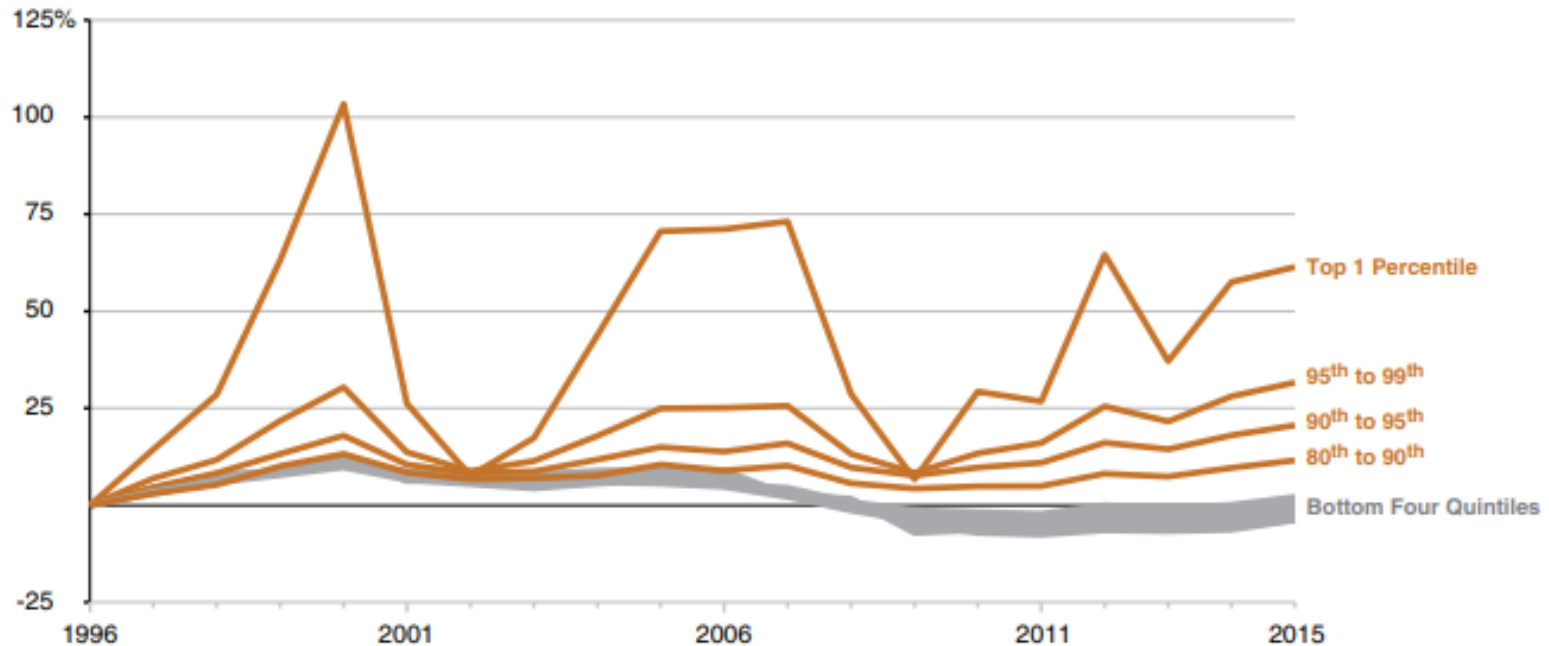
# High-Income Earners Rely More on Volatile Sources of Income

Total Percent Change, 2015 Dollars



# Bulk of Income Growth Has Gone to High-Income Earners

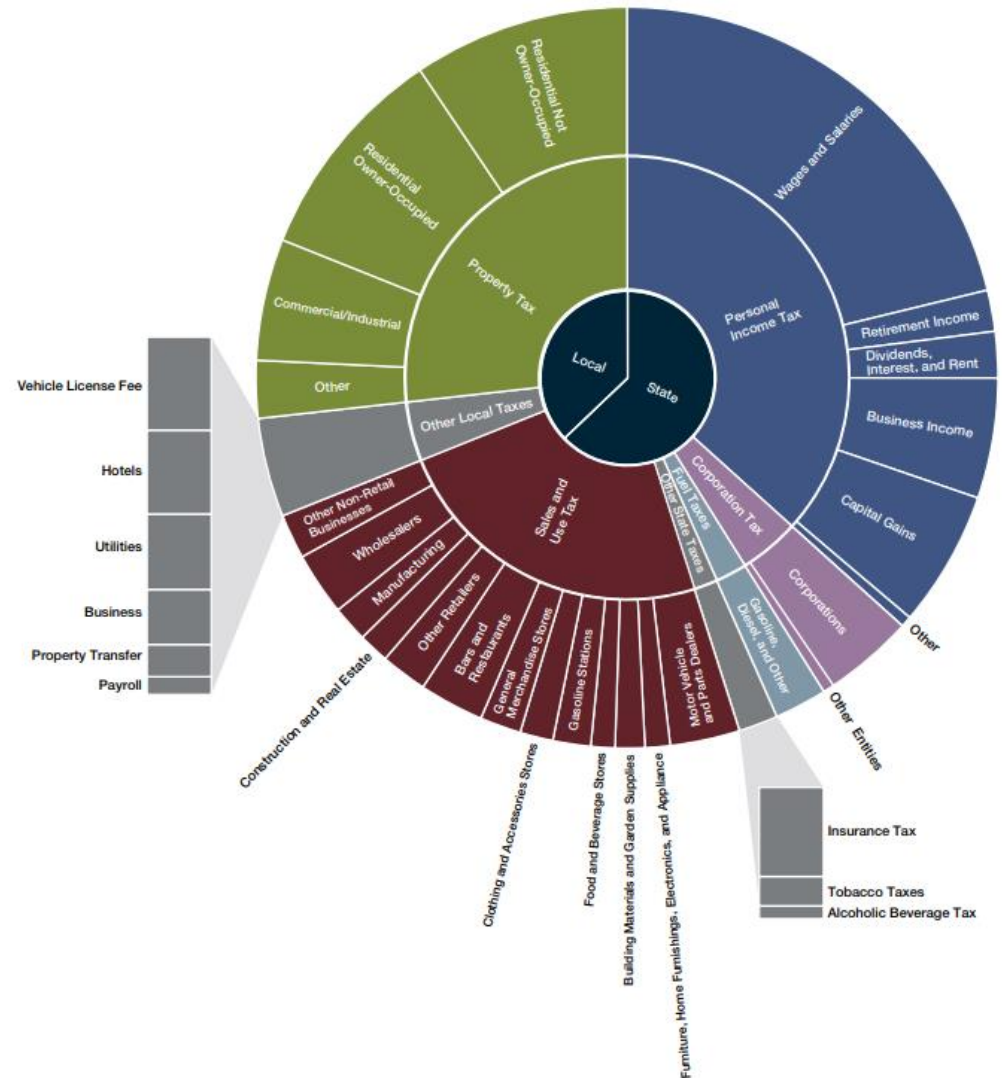
Adjusted Gross Income Per Return by Income Range, Total Percent Change, 2015 Dollars



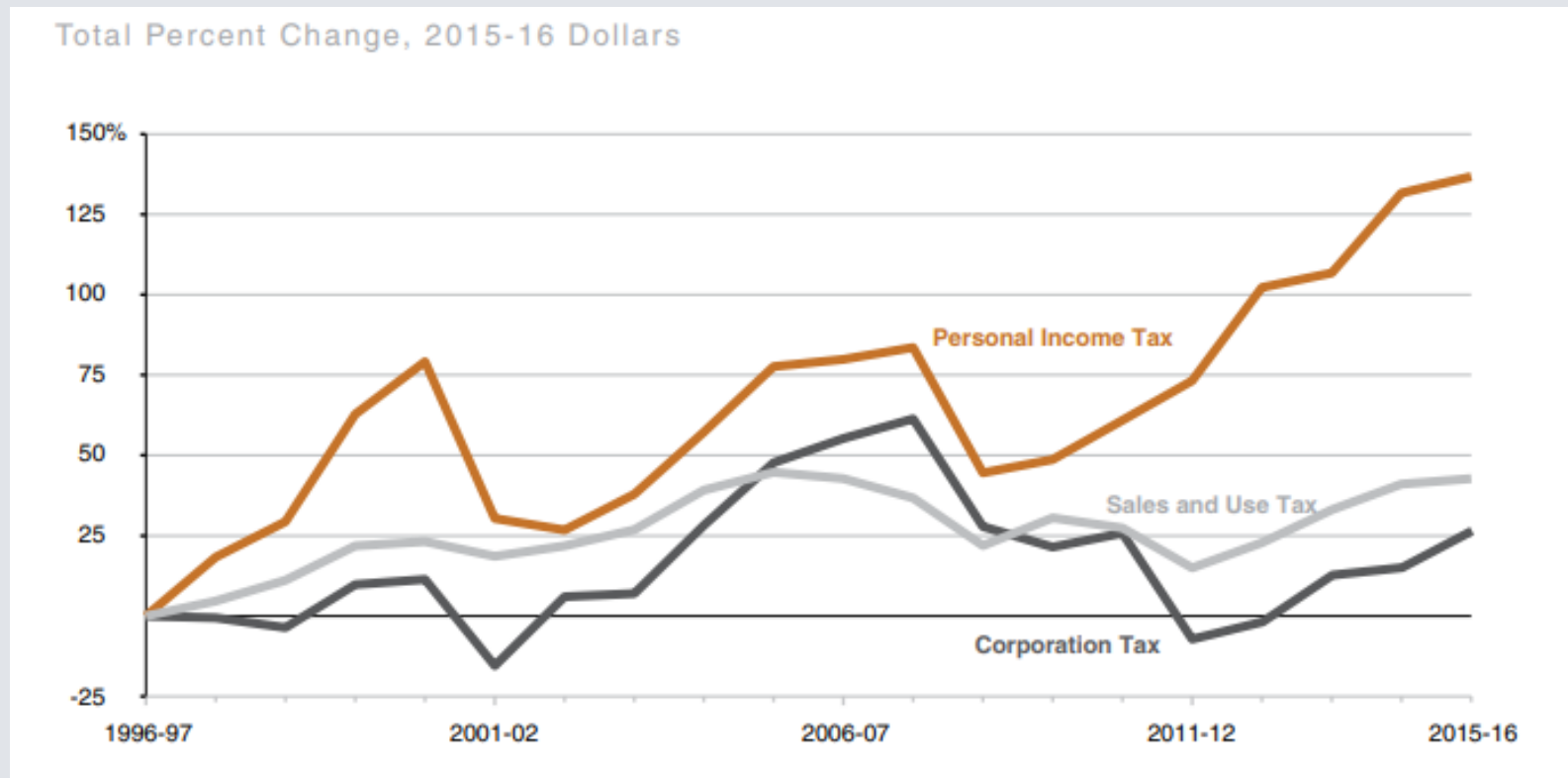
# Overview of California's Tax System

## State and Local Taxes

Personal Income Tax, Corporation Tax, and Sales Tax are the three largest state taxes.

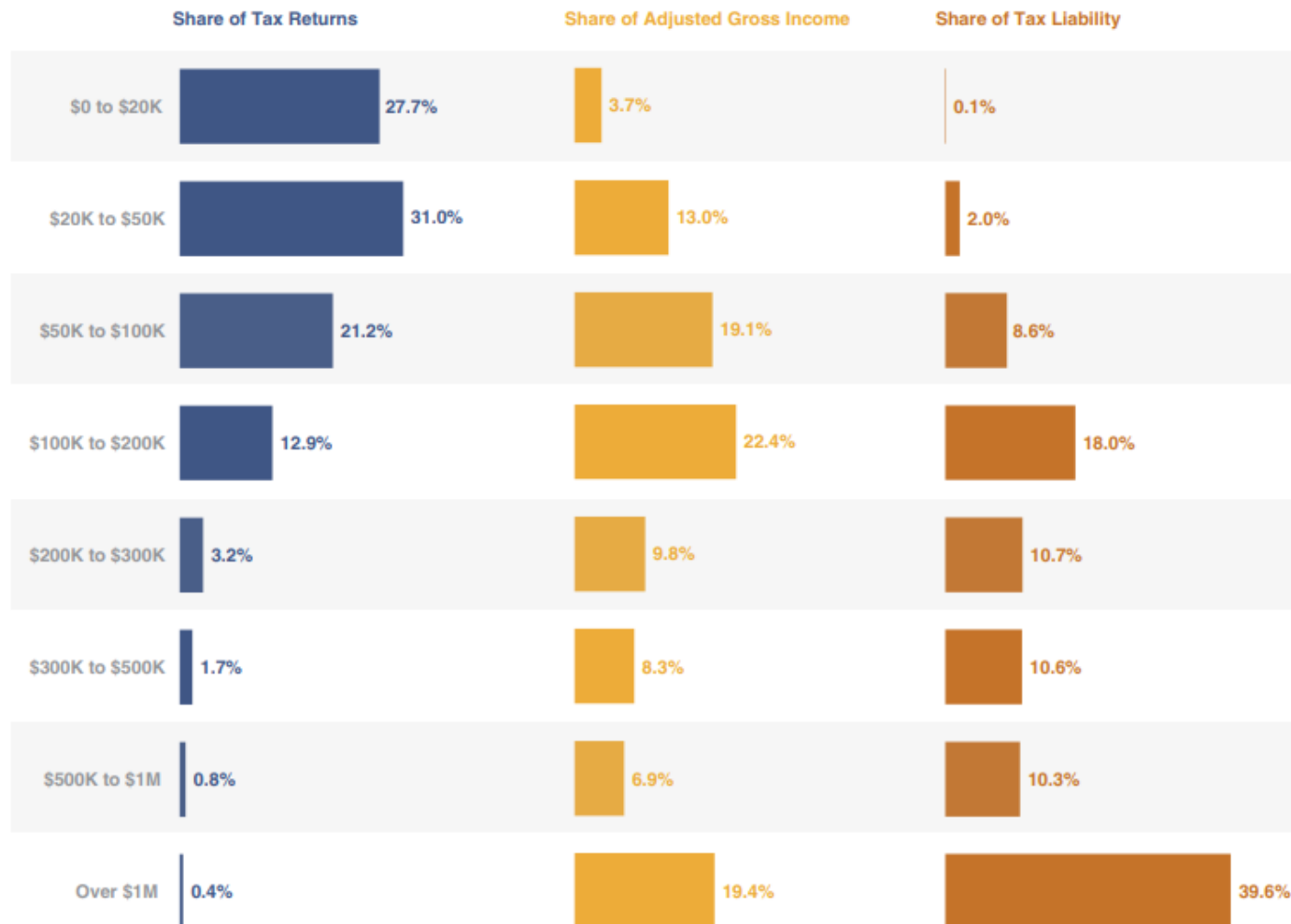


# Personal Income Tax Revenues Have Grown Much Faster Than Other State Taxes



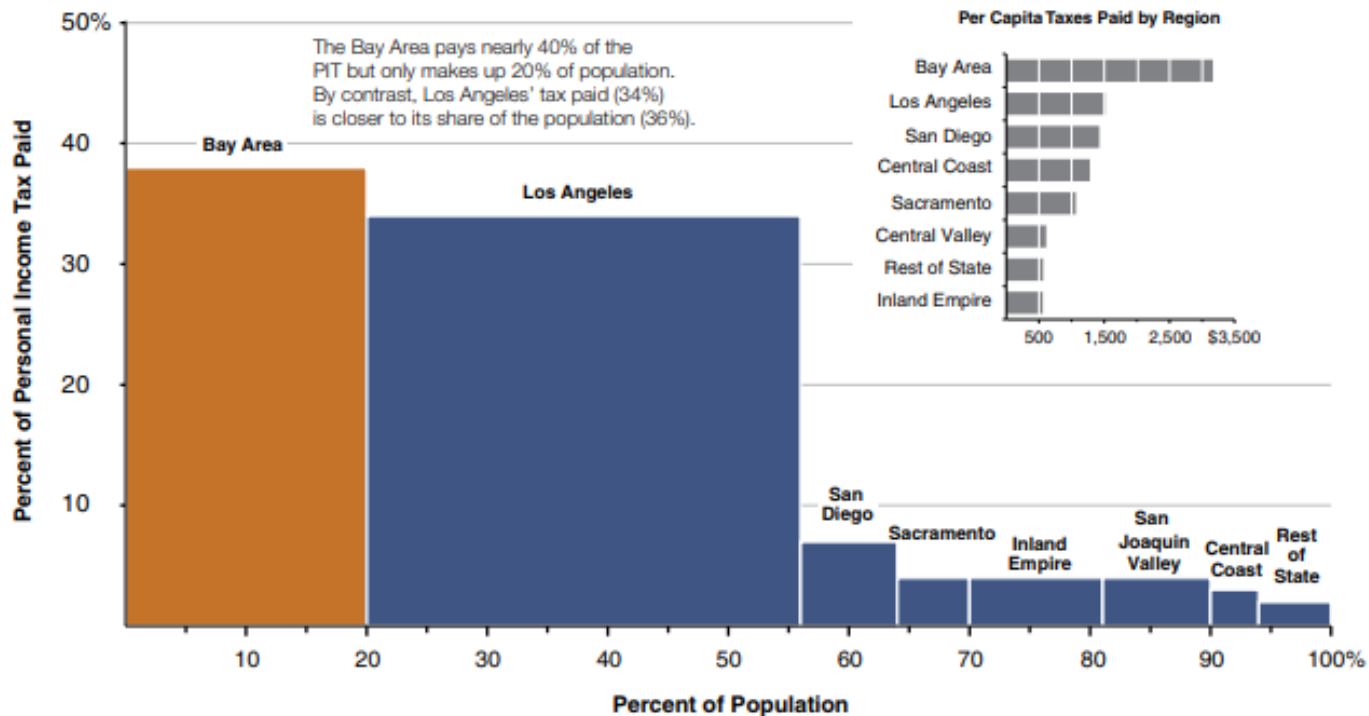
# Personal Income Tax Liability Concentrated Among Top Earners

Tax Statistics by Income Group, 2015



# Bay Area Contributes Disproportionately to Personal Income Tax Collections

2014



# Sales Tax Growth Slower than Personal Income Tax

## One Reason: Taxable Sales Have Shrunk as a Share of the Economy...

Taxable Sales as Share of Personal Income



## ...Because Prices of Goods Have Grown More Slowly Than Prices of Services

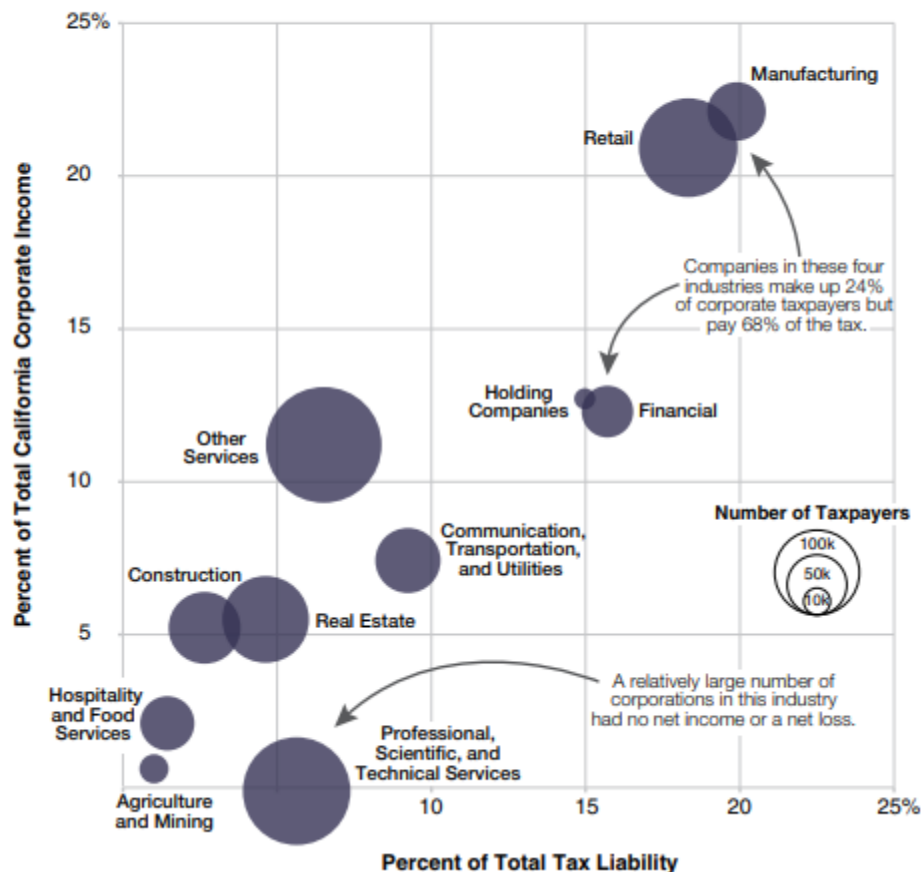
Total Percent Change





# Corporation Tax Filers Vary

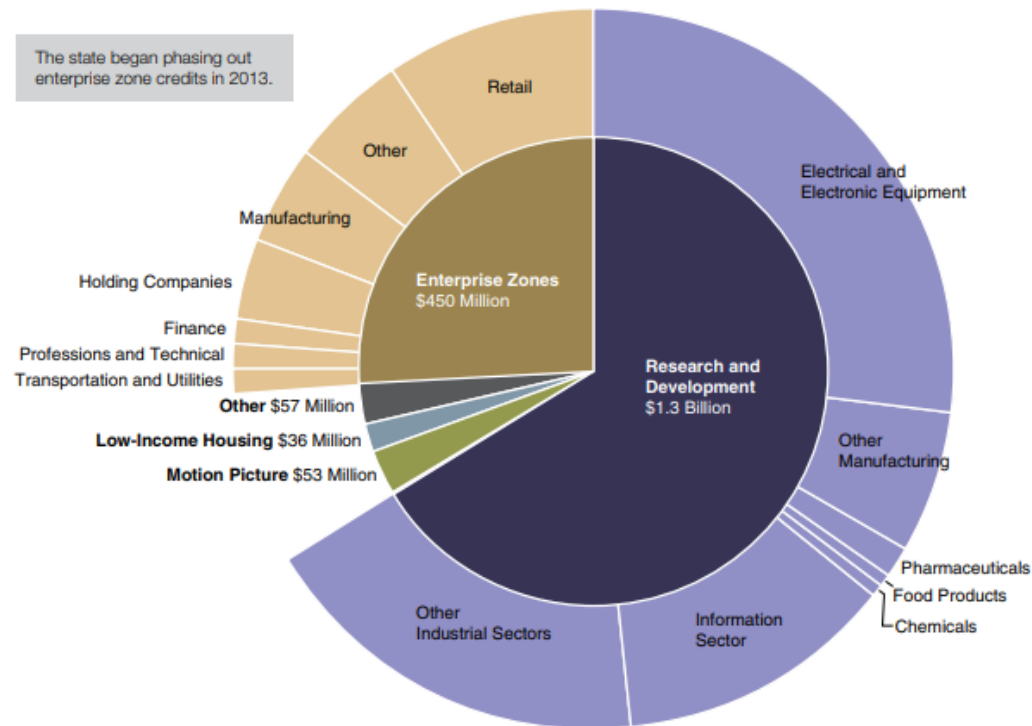
California levies a tax on net corporate income. For most corporations, the tax rate is 8.84 percent. California only taxes the portion of income that was earned in California.



# Research and Development Tax Credit is the Largest State Corporation Tax Credit

## *Corporation Tax Credits by Industry*

Corporations may apply a credit against their taxes for investing money in ways that further certain policy goals. In the figure below, the darker, inner pie shows a breakdown of credits in 2015. The lighter, outer segments show the distribution of the two largest credits among various types of corporations.



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