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States That Raised Revenue Offer Brighter Roadmap for Others

As state policymakers convene in early 2026 for this year's legislative season, they will face monumental choices between either cutting funding for vital public services or preserving and raising revenue to adequately meet their constituents' needs.

In the past five years, many state policymakers have chosen to make irresponsible tax cuts. They did this often under the cover of temporary budget surpluses — which were largely due to federal pandemic relief funding and the resulting economic recovery — with the false promise the tax cuts would pay for themselves. These states are now reckoning with the impact of these tax cuts and facing additional pressures on revenue, including federal funding cuts in the harmful Republican megabill enacted in 2025 that shift health care and food assistance costs to states; private school voucher programs that are draining public education funds; a wave of broad property tax cuts; and increasing economic headwinds.

However, over that same time period, policymakers and voters in another group of states took a second, more promising path and raised revenue to bolster and protect public investments. Many did so by increasing taxes on the wealthy and closing tax loopholes to ensure corporations pay their fair share. These states have used this revenue to enact universal school meals, fund paid leave, invest in affordable housing, boost spending on public education and school construction, and improve transportation infrastructure and other vital services. Overall, these investments support hardworking families as the cost of living continues to rise.

To build forward and invest in a brighter future, states should avoid cutting taxes and follow the example of these revenue-raising states to fund public services that support affordability for families and communities, ensure that everyone pays their fair share of taxes, and meet the current fiscal challenges from a position of strength.

Several States Have Raised New Revenues to Protect, Enhance Vital Investments

The following brief offers a high-level overview of steps states have taken in recent years to generate new revenues for public investment. Eleven states and the District of Columbia meaningfully raised new revenues from 2021 to 2025, policies which are already paying dividends and helping these places build stronger, more adequate tax systems capable of meeting the growing demands of the moment.[2]

Revenue-Raising Tax Change	States That Enacted Change (2021-2025)
Personal Income Rate Increase	Washington D.C., Maryland, Massachusetts, New York
Personal Income Deduction Limit	Colorado, Maryland, Minnesota
Capital Gains Tax	Maryland, Minnesota, New Mexico, Washington State
Mansion Tax	Washington D.C., Maine, New Jersey, Rhode Island
Corporate Income or Other Business Tax Increase	Colorado, Minnesota, New Jersey, New Mexico, New York, Washington State
Payroll Tax	Maine, Minnesota, Vermont
Excise Tax	Washington State

Policymakers in other states should follow their lead and have a broad suite of revenue-raising levers at their disposal, including bolstering personal income taxes, tackling corporate tax avoidance, exploring new taxes on wealthy households, reforming property and sales taxes to more closely track ability to pay, and leaning in on an emerging suite of revenue-raising tools linked to helping fight climate change. (For state-by-state information on the range of revenue options available, please navigate to CBPP's "State and Local Revenue Options for Advancing a Brighter Future" online interactive, linked to in the endnote).[3]

Colorado

Tax change

- Personal income deduction limit
- Corporate income or other business tax increase

Revenue raised

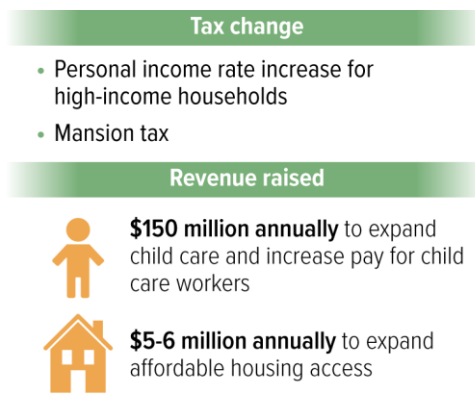
$195 million annually for universal school meals

$141 million annually to help shore up SNAP, Medicaid, and other programs amid federal cuts

Colorado has taken two noteworthy steps in recent years to help protect and grow revenues for key investments. First, voters in 2022 approved — and in 2025 expanded — a ballot measure to limit various deductions available to high-income taxpayers to support access to universal school meals. In 2022, the measure reduced the cap on income deductions for households making over $300,000 from $30,000 for single filers and $60,000 for joint filers to $12,000 and $16,000 respectively, generating $100 million annually for school meals. In 2025, to provide additional funding for school meals, the measure reduced the caps further for those making over $300,000 to $1,000 and $2,000 for single and joint filers, respectively. The change will generate an additional $95 million in revenue each year beyond the original amount to maintain the highly successful program.[4]

Second, the Colorado legislature recently strengthened its corporate tax system in response to an emerging shortfall created by passage of the Republican megabill's tax components, which bleed down to states through various technical interactions known as "conformity." Namely, the legislature extended indefinitely a provision set to expire at the end of 2025 that requires businesses to add back the percentage of their domestic and foreign income they deducted on their federal taxes when calculating state corporate income.[5] The legislature also took further steps to crack down on corporate tax avoidance by updating the state's list of tax havens. These are countries the state presumes companies are incorporated in for the purpose of tax avoidance, and the state requires that income in these countries be reported. Combined, these changes are estimated to increase state revenue by $82 million in the current 2026 fiscal year, $168 million in the next fiscal year, and $175 million in the fiscal year after that.[6]

District of Columbia



In 2021, District of Columbia lawmakers approved an income tax rate increase on individuals with taxable income over $250,000 to expand access to affordable housing and child care. Since that time, the District has seen concrete benefits: increased access and quality of child care services, less turnover at child care facilities, and all child care educators lifted out of poverty.[7] The Pay Equity Fund, a fund created by the revenue from this tax to increase child care worker pay, incentivized a 7 percent increase in child care and early education educator employment through improved retention and stability for educators.[8] Reports have also found that there was no drop in the number of high-income individuals in the District following the tax change; the number of residents earning over $1 million has increased since it was enacted.[9] In addition to the income tax rate increase, the D.C. council enacted in the 2025 budget an increase of the property tax rate for property valued over $2.5 million. The new mansion tax is estimated to bring in $6 million annually.[10]

Maine

In 2023, Maine enacted a 1 percent payroll tax increase that will generate $360 million a year in revenue to fund a 12-week paid family and medical leave program, scheduled to launch in 2026.[11] This would provide a needed benefit for Maine workers — only 28 percent of whom currently have access to paid leave — as well as compensation to 166,000 family caregivers currently providing an estimated $3 billion in unpaid care.[12] Research has linked the availability of paid leave to several positive outcomes, including increased financial security and better health for both parents and children.[13]

Moreover, in the 2025 legislative session, Maine established an additional $3.80 real estate transfer tax levied on every $500 in property value over $1 million starting in November 2025. This additional tax is projected to bring in $45 million over the next four years,[14] of which about 80 percent will be used in part for housing programs that build more affordable homes, help first-time homebuyers, provide rental assistance, and offer aid to people experiencing homelessness. Roughly 20 percent will go towards the state's general fund, where it can support a wide range of areas such as health, education, and infrastructure.[15] In the same budget, Maine lawmakers passed an increase in the tobacco tax by $1.50 per pack, which while a comparatively regressive resource source,[16] is expected to bring in an additional $110 million over two years for public services.[17]

Tax change

- Payroll tax
- Mansion tax

Revenue raised

$360 million annually to launch a Paid Family and Medical Leave program

$11.3 million annually to fund affordable housing, rental assistance, and other housing programs

Maryland

In the face of a $3 billion budget deficit and a tax system where the top earners paid the least, Maryland policymakers in 2025 made several changes to the income tax for high-income earners. These include higher tax rates for those earning over $500,000 and $1,000,000 and a phase down of itemized deductions for high-income earners. In addition, Maryland also instituted a 2 percent tax on capital gains for those making over $350,000. Together, these changes are estimated to increase general fund revenue by over $700 million each year, with 82 percent of the revenue coming from those earning more than $845,000.[18]

Tax change

- Personal income rate increase for high-income households
- Capital gains tax
- Personal income deduction limit

Revenue raised

Over $700 million annually to close a $3 billion budget deficit

Massachusetts

In 2022, voters in Massachusetts approved a new top income tax rate for those with annual incomes over $1 million. Since its enactment, the tax has outpaced expectations by $3 billion, bringing in a total of $5.7 billion in additional revenue.[19] This has enabled numerous investments that have helped workers and families, including universal school meals, fare-free regional transit, free community college, expanded financial aid for university students, and significant investments in aging transportation infrastructure and K-12 education.[20] Data from the year before the tax's enactment, when high-income individuals may have preemptively left the state to avoid the tax, showed that only 1 in 6 outmigrants had income over $200,000. Instead, the vast

Tax change

- Personal income rate increase for high-income households

Revenue raised

$2 billion annually to fund universal school meals, free community college, fare-free regional transit, and investments in transportation infrastructure and K-12 education.

majority who left the state were younger individuals earning under $200,000 – more revenue to improve transportation or provide essential services can help attract this group.[21]

Minnesota

Minnesota lawmakers put in place several new revenue raising changes in 2023. The legislature implemented a new payroll tax to fund a universal paid leave program, set to go into effect in 2026; raised taxes on large amounts of investment income through a first-of-its-kind levy known as a "wealth proceeds tax;"[22] phased out itemized deductions faster at high income levels; and conformed to part of the federal tax code known as GILTI to discourage corporate tax avoidance.[23] From these changes, they've been able provide $2.3 billion in additional funds for K-12 public schools, enact a fully refundable child tax credit, expand public services and benefits to people without a documented immigration status, and replace all lead pipes in the state. In addition, the state has been able to provide universal free meals for public school students, helping families save $1,000 per child on meals and resulting in fewer absent students.[24]

Tax change

- Payroll tax
- Capital gains tax, personal income deduction limit, and corporate income or other business tax increase

Revenue raised

$1.6 billion annually to fund universal paid leave

$2.3 billion annually to help fund universal school meals, enact a fully refundable child tax credit, provide public services regardless of immigration status, replace lead pipes statewide

New Jersey

In New Jersey, policymakers in recent years have approved two important revenue-raising measures. First, the state implemented a graduated mansion tax for property sales of $1 million and above. The change implements a 2 percent tax for sales over $2 million and adds a half percentage point for every $500,000 increase in value up to 3.5 percent. Second, New Jersey enacted a corporate transit fee of 2.5 percent on corporate income over $10 million that will last through 2028. Together, these changes are expected to raise over $1.3 billion in revenue;[25] $500 million from the mansion tax is set to fund affordable housing efforts in the state, while $800 million from the corporate fee will improve public transportation through infrastructure investments and backfilling funding deficits.[26]

Tax change

- Mansion tax
- Corporate income or other business tax increase

Revenue raised

$500 million annually to fund affordable housing

$800 million annually (through 2029) to improve public transit

New Mexico

In 2024, lawmakers in New Mexico revamped the corporate income tax to a flat 5.9 percent rate; previously it had been a tiered rate of 4.8 percent for taxable income under $500,000 and 5.9 percent for taxable income above $500,000.[27] They also significantly tightened an expensive capital gains loophole that had overwhelmingly benefitted the state's wealthiest residents.[28] The extra revenue from these changes allowed for New Mexico to restructure its income tax brackets to provide targeted tax reductions to low- and middle-income households instead.[29] Further, the state has utilized its oil-funded sovereign wealth fund to fund mental health care, Medicaid, and a universal child care program that launched in November 2025.[30]

Tax change

- Corporate income or other business tax increase
- Capital gains

Revenue raised

Revenue raised from wealthy residents and corporations offset targeted tax reductions for low- and middle-income residents

New York

The New York legislature enacted a higher income tax rate on high-income earners in 2021 that was recently extended through 2032. The surcharge imposes a 9.65 percent tax on income over $2,155,350; a 10.3 percent tax on income over $5 million; and a 10.9 percent tax on income over $25 million. Since enactment, New York has seen higher than expected revenue, with the tax bringing in about $3.6 billion annually.[31] That has helped New York policymakers stabilize funding for key services including education and build up their historically low reserve funding.[32] Meanwhile, New York also adopted in 2021 — and further extended in 2023 — a corporate surcharge of 0.75 percent for corporations with more than $5 million in profits, bringing the total tax rate for these corporations to 7.25 percent. The measure, which since enactment has raised more than $1 billion a year in revenue,[33] is currently scheduled to expire April 1, 2026, unless policymakers act.

Tax change

- Personal income rate increase for high-income households
- Corporate income or other business tax increase (expires April 1, 2026)

Revenue raised

Together, **about $4.6 billion annually** to stabilize funding for state services and build up reserve funding

Rhode Island

In 2025, Rhode Island implemented a new surcharge aimed at secondary homes worth more than $1 million. The surcharge imposes $2.50 tax for every $500 in value over the first $1 million. Rhode Island is also implementing a tax on luxury real estate that will levy a $3.75 tax on every $500 in value above $800,000. The changes are estimated to raise $14 million annually for the state and $11 million annually for local governments beginning in 2026 and increasing to $19 million and $15 million in 2027. This new revenue is being dedicated to producing affordable housing and giving resources to people experiencing homelessness.[34]

Tax change

- Surcharge on high-value vacation homes
- Mansion tax

Revenue raised

$14 million annually for the state and $11 million annually for local governments beginning in 2026 for affordable housing and homelessness prevention

Vermont

In 2023, Vermont passed a 0.44 percent increase to its payroll tax rate, to be split between employers and employees.[35] The goal of the tax was to raise $125 million in new funding to provide child care subsidies through the Child Care Financial Assistance Program (CCFAP).[36] Since taking effect in 2024, studies have found multiple improvements in Vermont's child care industry, such as a 2.4 percent increase in the number of child care providers. Interviews with families have also noted an easier time finding child care and less stress as a result. With more consistent funding, child care providers have been able to increase salaries and provide benefits to employees.[37]

Tax change

- Payroll tax

Revenue raised

$59 million in its first year with goal of raising $125 million annually to fund Child Care Financial Assistance Program (CCFAP) to support families and child care workers

Washington

Washington has taken several actions in recent years to raise revenue. In 2021, the state enacted an excise tax on income from the sale of stocks and other investments that has led to half a billion dollars in new revenue to build and repair K-12 schools and expand child care and early learning supports for young children. In 2025, the legislature took further action, implementing an increased capital gains tax rate; a new and increased business and occupation surcharge; a series of estate tax enhancements; and an expansion of the services and items covered by service and tobacco excise taxes. The state also repealed tax exemptions that were not working as

Tax change

- Excise tax on income from the sale of stocks and other investments
- Business and occupation surcharge, estate tax, service and tobacco excise taxes, repealed ineffective tax exemptions

Revenue raised

$500 million annually to build and repair K-12 schools and fund child care and early learning

All together, expected to raise $9 billion over four years

intended. All together, these new changes are set to raise an additional $9 billion in revenue over four years.[38]

Appendix Table

State	Revenue Raising Changes	Revenue Raised	Projects or Programs
Colorado	• Itemized deduction caps increased • Corporate income deduction add back extension; updated tax havens list	• Itemized caps: $195 million annually • Corporate changes: $141 million annually on average	• Additional funding for a universal school meals program • Shore up SNAP, Medicaid, and other programs in the face of federal cuts
D.C.	• Income tax rate increase for high-income households • Mansion tax	• Income tax: $150 million annually on average • Mansion tax: $5-$6 million annually	• Increased pay for child care workers • Expanded access to affordable housing
Maine	• Payroll tax increase • Mansion tax increase	• Payroll tax: $360 million annually • Mansion tax: $11.3 million annually on average	• New Paid Family and Medical Leave program • Rental assistance, first time homebuyer assistance, building more affordable housing
Maryland	• Income tax rate increase for high-income households • Capital gains tax for high-income households	• Income tax: $351 million annually • Capital gains tax: $367 million annually	• Closing a $3 billion budget deficit
Massachusetts	• New top income tax rate	• $2 billion annually	• Universal school meals, free community college, fare-free regional transit, investment in transportation infrastructure and K-12 education
Minnesota	• New payroll tax • Capital gains tax increase	• Payroll roll tax: $1.6 billion annually • Capital gains tax: $131 million annually on average	• Universal paid leave program • Refundable child tax credit • Universal school meals

Appendix Table

State	Revenue Raising Changes	Revenue Raised	Projects or Programs
	• Phasing out itemized deductions on high-income households • Corporate tax conformity	• Phase out: $370 million annually on average • Corporate tax conformity: $408 million annually on average	• Services for people regardless of immigration status
New Jersey	• Graduated mansion tax • Corporate transit fee	• Mansion tax: $500 million annually • Corporate transit fee: $800 million annually	• Investment in affordable housing, and transportation infrastructure
New Mexico	• Flat corporate tax rate • Capital gains deduction change • Sovereign wealth fund	• Corporate tax: $16 million annually • Capital gains deduction: $63 million annually on average	• Adjust income tax brackets to provide tax relief to low- and middle- income families, • Universal child care • Shoring up Medicaid and mental health care
New York	• Income tax rate increase on high-income households • Corporate surcharge	• Income tax: $3.6 billion annually • Corporate tax: $1 billion annually	• Built up reserves from previously depleted levels • Stabilized funding for ongoing state services
Rhode Island	• Mansion tax	• $19 million annually	• Producing affordable housing • Giving resources to people experiencing homelessness
Vermont	• Increased payroll tax	• $125 million annually	• Child care subsidies through the Child Care Financial Assistance Program
Washington	• Excise tax on the sale of stocks and other investments • Increased capital gains tax	• Stock excise tax: $500 million annually • Capital gains and estate tax changes: $164 million annually on average	• Build and repair K-12 schools • Expand childcare and early learning supports

Appendix Table

State	Revenue Raising Changes	Revenue Raised	Projects or Programs
	• Business and occupation surcharge • Expansion of services and items covered by excise tax • Repeal of tax exemptions	• Business and occupation surcharge: $1.4 billion annually on average • Excise tax expansion: $650 million annually on average • Repealing tax exemptions: $96 million annually on average	

Note: Numbers in the Revenue Raised column with "on average" are calculated by annualizing a total multi-year revenue estimate.

1 Tyler Godding is a policy research intern with CBPP's State Fiscal Policy team.

2 Over any given period of time, states enact a wide range of tax policy changes that each respectively increase or decrease revenues to at least some marginal degree. The list of states compiled for this report should therefore be interpreted as an effort to capture those states that took deliberate steps to raise meaningful amounts of new revenue to support public investments, rather than a comprehensive accounting of every state tax policy change over the past five years that increased revenues to some non-zero degree.

3 CBPP, "State and Local Revenue Options for Advancing a Brighter Future," https://www.cbpp.org/research/state-budget-and-tax/state-revenue-options-for-advancing-equity-and-prosperity.

4 Bente Birkeland, "Proposition MM: Increase taxes for free school meals and food assistance, explained," CPR News, October 10, 2025, https://www.cpr.org/2025/10/10/vg-2025-proposition-mm-explained/.

5 Known respectively as the Qualified Business Income (QBI) deduction and the Foreign Derived Intangible Income (FDII) deduction, these provisions allow businesses to deduct a percentage of their net income when filing taxes. The QBI deduction allows for the deduction of 20 percent of a business's net income which does not include interest income, foreign income, or investment income. The FDII allows for the deduction of 33.34 percent of a company's income earned from foreign sales.

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[15] Maine Revised Statutes, Title 36, Ch. 711-A, §4641-B: Collection, https://legislature.maine.gov/statutes/36/title36sec4641-B.html.

[16] See "Raise tobacco taxes," CBPP, "State and Local Revenue Options for Advancing a Brighter Future," https://www.cbpp.org/research/state-budget-and-tax/state-revenue-options-for-advancing-equity-and-prosperity#/policies/42.

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