



## Fast Facts

### General Fund Revenue Update – April 2020

#### **April General Fund revenues are over \$2 billion short of estimate due to tax shifts and COVID-19**

April's revenues offer a window into the impact of COVID-19 on the commonwealth's tax collection patterns, economic activity and the state budget. Monthly revenues were \$2.16 billion lower than the official estimate or 49.7 percent. The year-to-date revenue shortfall currently stands at \$2.20 billion, or 7.4 percent.

#### **Due date changes push revenue out of April**

The federal government delayed its income tax filing deadline from April 15 to July 15, and Pennsylvania followed suit. This shifts revenue from both the personal income tax (PIT), and the corporate net income tax (CNIT) until the next fiscal year. Collections this month suggest that most taxpayers are taking advantage of this change and waiting to file. The commonwealth collected just \$92 million in PIT final payments collected this month, as compared to the \$1.23 billion assumed in the official estimate – a 92.5 percent difference. Corporate net income tax final payments, which are spread across April and May, show signs of delay as well, with CNIT final payments 54.5 percent lower than estimate.

In addition to final payments, personal income tax quarterly estimated payments due April 15 and June 15 are now due on July 15. The change appears to have delayed a substantial portion of April's revenue, as the PIT quarterly estimated payments are \$279.9 million lower than estimate, or 71.3 percent.

#### **Economic impacts of COVID-19 start to show up in tax data**

COVID-19 has led to unparalleled economic disruption within Pennsylvania and across the nation. Tax collections show some of the extent of the impact on the wider economy.

- Employer withholdings on wages and salaries are \$104.5 million or 10.3 percent lower than estimate, reflecting some of the impact to employment and earnings.
- Non-motor sales tax collections are \$235.3 million or 27.5 percent lower than projected.
- Motor vehicle sales tax collections are \$126.1 million less than estimate – 89.0 percent
- Realty transfer tax revenues are \$23.0 million lower – 46.4 percent
- Liquor tax collections are \$18.6 million below estimate – 60.7 percent
- Gaming revenues to the General Fund – from table games and certain online betting – are down \$12.6 million – 82.5 percent

#### **Looking ahead**

Revenues will continue to be adversely impacted in May and June by both the economic impact of virus and the tax shifts.

Personal income tax withholdings will show impact from layoffs and reduced income. Sales tax and other consumption taxes will be reduced by the economic shutdown as Pennsylvanians continue their fight to stop the spread of the virus by staying home. Given the uncertainty of the virus, the depth of these impacts remains unclear at this time.

Tax shifts comprised a large part of April's revenue shortfall, but most final payments could be made in July. On the other hand, PIT quarterly estimated payments delayed from April and June to July will show economic impact of COVID-19, as will the June corporate net income tax quarterly payment.

## **April Revenues**

For the month of April, total General Fund revenues were \$2.16 billion lower than expected, or 49.7 percent.

### **Corporation Taxes**

- Corporation taxes were \$149.5 million less than the official estimate (45.9 percent)
- Corporate net income tax collections were \$140.2 million lower than expected (50.8 percent)
- Gross receipt taxes were \$1.9 million under estimate (65.0 percent)
- Public utility property taxes were \$10.7 million less than projected (60.7 percent)
- Insurance premium taxes were \$3.1 million higher than expected (12.1 percent)
- Taxes on financial institutions were \$2.9 million more than estimate (77.7 percent)

### **Consumption Taxes**

- Sales and use tax collections were \$361.4 million lower than expected (36.2 percent)
  - Non-motor sales tax collections were \$235.3 million less than estimate (27.5 percent). A portion of this shortfall is due to timing of payment changes when the department waived the accelerated sales tax prepayment requirements, and asked vendors to remit the collected from March.
  - Motor vehicle sales tax collections were \$126.1 million below projections (89.0 percent)
- Cigarette tax collections were \$13.6 million above estimate (46.6 percent)
- Other tobacco products tax collections fell short by \$0.7 million (6.2 percent)
- Liquor tax collections finished the month \$18.6 million less than expected (60.7 percent)
- Malt beverage tax collections are relatively small, but were \$0.6 million more than estimate (36.0 percent)

### **Other Taxes**

- Personal income tax revenues were \$1.5 billion lower than the official estimate (57.8 percent)
  - Employer withholdings on wages and salaries were \$104.5 million less than anticipated (10.3 percent)
  - Quarterly estimated payments were \$279.9 million less than anticipated (71.3 percent).
  - Final annual payments from taxpayers filing their returns were \$1.1 billion lower than forecast (92.5 percent)

Both the non-withheld PIT payments (quarterly and annual) are affected by the Department of Revenue extending the due date until July 15.

- Realty transfer tax collections were \$23.0 million less than expected (46.4 percent)
- Inheritance tax collections were \$36.1 million lower than anticipated (35.6 percent)
- Gaming tax receipts into the General Fund were \$12.6 million lower than projected (82.5 percent)
- Minor and repealed tax collections were \$25.5 million lower than expected (1,275 percent)

Non-tax revenues for March were \$22.0 million lower than expected (11.1 percent)

### **For the 2019/20 fiscal year to date:**

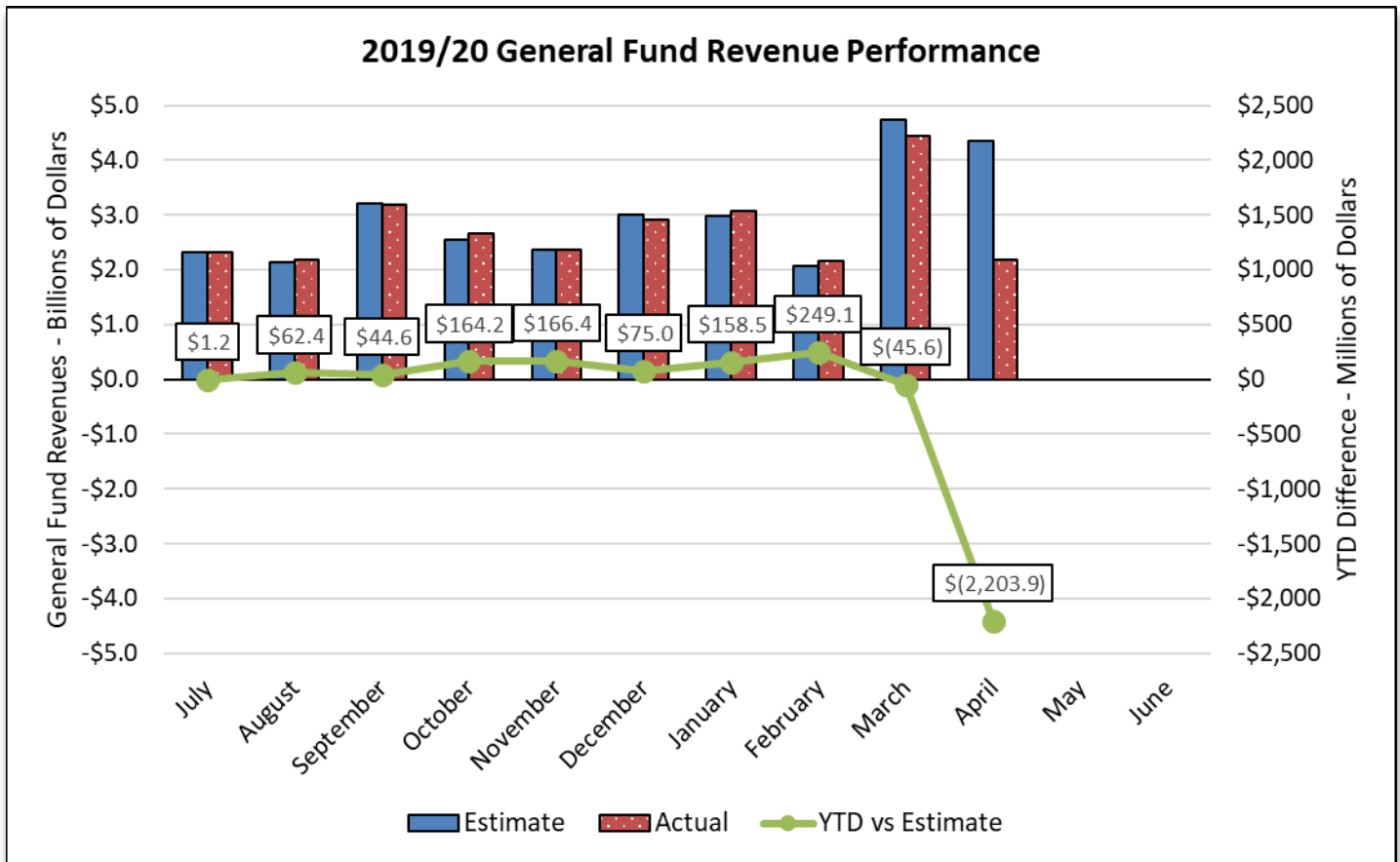
- Cumulative General Fund revenues are \$2.2 billion lower than expected (7.4 percent)
- General Fund tax revenues are \$2.2 billion lower than projected (7.7 percent)
- Corporate net income tax revenues are \$345.3 million less than expected (13.0 percent)
- Sales and use taxes are \$293.2 million more than expected (3.1 percent)
- Personal income tax collections are \$1.5 billion less than anticipated (12.4 percent)
- Non-tax revenues are \$42.6 million above the estimate (8.0 percent)

### **Compared to the last fiscal year:**

- Total General Fund revenue is 5.7 percent lower
- General Fund tax revenue is 5.2 percent lower
- Corporate net income tax receipts are 7.7 percent lower
- Sales and use tax revenues are 0.4 percent lower
- Personal income tax collections are 8.8 percent lower



General Fund Revenues - Year-to-Date Performance vs Official Estimate			
<i>Amounts in Millions</i>	YTD Estimate	YTD Collections	Difference
General Fund Total	29,699.3	27,495.4	(2,203.9)
Tax Revenue Total	29,164.3	26,917.8	(2,246.5)
Corporation Taxes	4,690.9	4,294.6	(396.3)
Consumption Taxes	10,649.1	10,328.8	(320.3)
Sales and Use Tax	9,437.7	9,144.5	(293.2)
Cigarette Tax	749.8	747.3	(2.5)
Other Tobacco Products	110.5	106.8	(3.7)
Malt Beverage Tax	18.7	18.9	0.2
Liquor Tax	332.4	311.3	(21.1)
Other Taxes	13,824.3	12,294.4	(1,529.9)
Personal Income Tax	12,409.5	10,871.4	(1,538.1)
Realty Transfer Tax	445.1	431.7	(13.4)
Inheritance Tax	903.1	932.8	29.7
Gaming	145.3	134.2	(11.1)
Minor and Repealed	(78.7)	(75.7)	3.0
Non-Tax Revenue	535.0	577.6	42.6



## 2019/20 Revenue Performance vs. Official Estimate

