MONTHLY STATE REVENUE HIGHLIGHTS

State Tax Revenues Declined Once Again in June 2020

Total state taxes declined 12.8 percent in June 2020 compared to a year earlier, according to preliminary data from 43 states. Personal income taxes declined 17.9 percent, sales taxes increased 4.5 percent, and corporate income taxes declined 37.2 percent. State tax revenues are depressed because of the impact of the COVID-19 pandemic, which caused large disruptions in economic activity, left millions of Americans without a job, and forced many businesses to close either temporarily or permanently. Government decisions to delay income tax filing and payment deadlines also lowered June tax receipts. Overall tax revenue declines in the median state were lower (see table).

 Declines in personal income tax revenues were still steep in June, mostly due to the states delaying their income tax filing deadline. On the other hand, sales tax revenues increased in June, mostly due to reopening of economies across the states and increased economic activity, part of which was on pause because of shutdowns in the prior weeks. In addition, sales tax increases may have reflected delays in remittances from businesses or in pent up demand from consumers.

National Trends

<table>
<thead>
<tr>
<th>Tax source</th>
<th>June 2020 ($ millions)</th>
<th>June 2019 ($ millions)</th>
<th>YOY percent change</th>
<th>YOY median percent change</th>
<th>Fiscal YTD 2020 ($ millions)</th>
<th>Fiscal YTD 2019 ($ millions)</th>
<th>YOY percent change</th>
<th>YOY median percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total state taxes</td>
<td>76,859</td>
<td>88,126</td>
<td>-12.8%</td>
<td>-4.0%</td>
<td>819,257</td>
<td>870,941</td>
<td>-5.9%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Personal income</td>
<td>32,450</td>
<td>39,533</td>
<td>(17.9)</td>
<td>(5.9)</td>
<td>344,852</td>
<td>385,356</td>
<td>(10.5)</td>
<td>(7.4)</td>
</tr>
<tr>
<td>Corporate income</td>
<td>6,698</td>
<td>10,658</td>
<td>(37.2)</td>
<td>(29.5)</td>
<td>47,262</td>
<td>56,489</td>
<td>(16.3)</td>
<td>(15.1)</td>
</tr>
<tr>
<td>Sales</td>
<td>24,676</td>
<td>23,620</td>
<td>4.5</td>
<td>1.7</td>
<td>289,541</td>
<td>289,034</td>
<td>0.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Note: YOY = year-over-year; YTD = year-to-date.

Percent Change in State Fiscal Year-to-Date Tax Revenues

July 2019-June 2020 vs July 2018-June 2019, percent change
Overall, many states had seen healthy growth in tax revenue collections before the economic disruptions caused by the COVID-19 pandemic. But COVID-19 wiped out these gains. On a fiscal year-to-date basis, total state tax revenues have turned sharply negative. Between July 2019 and June 2020 (the full fiscal year 2020 for 46 states), total tax revenues declined 5.9 percent, personal income taxes declined 10.5 percent, corporate income taxes declined 16.3 percent, and sales taxes increased 0.2 percent.

Looking at the 43 individual states that have reported June data:

- 35 states reported total tax revenue declines for the period between July 2019 to June 2020 and only 8 states (Alabama, Idaho, Kentucky, Maine, Nebraska, North Dakota, South Dakota, and Washington) reported growth.
- 33 states reported declines in personal income tax revenues, while 5 states reported growth.
- 37 states reported declines in corporate income tax revenues, while 4 states reported growth.
- 11 states reported declines in general sales tax revenues, while 28 states reported growth.

COVID-19 caused major disruptions and damage to state economies which rapidly altered states’ fiscal year 2020 trajectory. State fiscal year 2020 ended in June in 46 states and preliminary figures from 43 states indicate that total state tax revenues were down by about $52 billion compared to the same period a year earlier.

While most states have begun re-opening their economies, it will take a long time for business activity to return to pre-pandemic levels, with some activities and industries facing a very slow recovery.

Looking at the next few months, all states are facing a tough and uncertain revenue path, unlike any we have seen since the Great Depression. Many states will re-visit their revenue forecasts and all forecasts will be subject to high uncertainties as it is difficult to predict the length and severity of the pandemic itself and what measures states will take to contain it.

The State and Local Finance Initiative at the Urban Institute continues to monitor state tax collections and associated economic indicators and will report results on a monthly basis. For more comprehensive analysis of state tax revenues and underlying economic data by Lucy Dadayan, please read the quarterly State Tax and Economic Review.

To learn more about gaining access to the full datasets, please read about our subscription service here.