

MONTHLY STATE REVENUE HIGHLIGHTS

State Tax Revenues Surged in July 2020, But Cumulatively Are Down During COVID-19 Period

Total state taxes increased 82.1 percent in July 2020 compared to a year earlier, according to preliminary data from 40 states. **Personal income taxes increased 155.1 percent, sales taxes increased 10.7 percent, and corporate income taxes increased 360.2 percent.** Overall tax revenue increases in the median state were weaker (see table).

This sudden increase in state tax revenues is not an indication of sudden improvement in state economies, but due to timing changes. The surge observed in July is primarily related to the delay in income tax filing deadlines and was largely expected. To mitigate the impact of the COVID-19 on taxpayers, the federal government had extended the income tax filing deadline from April 15th to July 15th and all states with broad-based income taxes extended their deadlines as well. Thirty-seven of the 41 states extended filing deadlines to July 15, while Virginia extended to June 1, Idaho extended to June 15, Hawaii to July 20 and Iowa to July 31. These deadline extensions have shifted income tax payments from earlier months into July. In addition, about half of the states had also extended filing and remittance deadlines for sales tax payments by retailers.

Thus it is crucial to view the revenue surge in July with caution, and examine what revenues look like over the last few months. The July surge is temporary and while revenues were stronger than many states expected, states still are experiencing large declines in their fiscal and economic health. If we look at the cumulative changes in the March-July period, state tax revenues remain depressed because of the impact of the pandemic, which caused large disruptions in economic activity, left millions of Americans without employment, and forced many businesses to close either temporarily or permanently.

National Trends

Tax source	July 2020 (\$ millions)	July 2019 (\$ millions)	YOY percent change	YOY median percent change	March-July 2020 (\$ millions)	March-July 2019 (\$ millions)	YOY percent change	YOY median percent change
Total state taxes	\$107,051	\$58,802	82.1%	58.7%	\$347,235	\$375,464	-7.5%	-4.9%
Personal income	62,215	24,386	155.1	102.6	158,193	169,411	(6.6)	(2.6)
Corporate income	9,010	1,958	360.2	251.3	25,645	28,999	(11.6)	(11.8)
Sales	25,149	22,722	10.7	9.6	108,513	116,256	(6.7)	(3.5)

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

In this brief report, we provide analysis of tax revenue trends since the spread of the pandemic in the US. Between March 2020 and July 2020, total tax revenues declined 7.5 percent, personal income taxes declined 6.6 percent, corporate income taxes declined 11.3 percent, and sales taxes declined 6.7 percent.

Looking at the 40 individual states that have reported complete data for the March – July period:

- 33 states reported **total tax** revenue declines for the period between March and July 2020 and only 7 states (Colorado, Georgia, Idaho, Nebraska, North Dakota, South Dakota, and Vermont) reported growth.
- 25 states reported declines in **personal income tax** revenues, while 10 states reported growth.
- 31 states reported declines in **corporate income tax** revenues, while 7 states reported growth.
- 25 states reported declines in **general sales tax** revenues, while 11 states reported growth.

