MONTHLY STATE REVENUE HIGHLIGHTS

State Tax Revenues Plunged in April 2020 Because of COVID-19 Pandemic and Delays in Income Tax Deadlines

Total state taxes declined 49.4 percent in April 2020 compared to a year earlier, according to preliminary data from 46 states. Personal income taxes declined 63 percent, sales taxes declined 15.8 percent, and corporate income taxes declined 63 percent. The steep declines in tax revenues are predominantly caused by government decisions surrounding the COVID-19 pandemic. Specifically, the closing of many businesses and the delay of filing deadlines lowered April payments. Revenue declines in the median state were slightly lower (see table).

National Trends

<table>
<thead>
<tr>
<th>Tax source</th>
<th>April 2020 ($ millions)</th>
<th>April 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>$61,765</td>
<td>$122,106</td>
<td>-49.4%</td>
<td>-42.4%</td>
<td>$716,785</td>
<td>$742,279</td>
<td>-3.4%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Personal income</td>
<td>26,751</td>
<td>72,203</td>
<td>(63.0)</td>
<td>(56.2)</td>
<td>308,543</td>
<td>339,529</td>
<td>(9.1)</td>
<td>(6.9)</td>
</tr>
<tr>
<td>Corporate income</td>
<td>4,609</td>
<td>12,469</td>
<td>(63.0)</td>
<td>(64.7)</td>
<td>41,009</td>
<td>45,245</td>
<td>(9.4)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Sales</td>
<td>20,434</td>
<td>24,268</td>
<td>(15.8)</td>
<td>(10.8)</td>
<td>250,952</td>
<td>242,723</td>
<td>3.4</td>
<td>3.2</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 through April 2020, year-over-year percent change

[Map showing state-by-state YOY percent change]
This year, the federal government and most states delayed their income tax filing deadlines from April 15 to July 15. Normally, estimated and final payments represent about 30 percent of annual total personal income taxes and in a typical year, states collect about 40 percent of these revenues in the month of April. (Usually states collect around 13-15 percent of annual personal income tax revenues in April, with 70-75 percent coming from estimated and final payments). This year, all states reported steep declines in estimated and final payments. However, most states will receive most of that revenue when taxpayers file their taxes this summer. Withholding is usually a better indicator of the current strength of the economy because it comes largely from current wages. In April, withholding growth remained positive in one-third of the states, but on average it was 0.2 percent lower than last April. The pandemic drove nearly 40 million US workers to file jobless claims in the past 10 weeks. While some people are returning to work as the economy slowly reopens, we expect the job market to remain soft across all states and withholding will continue to decline due to continued high levels of unemployment.

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 April 2020 (the first ten months of fiscal year 2020 for 46 states), total tax revenues declined 3.4 percent, personal income taxes declined 9.1 percent, corporate income taxes declined 9.4 percent, and sales taxes grew 3.4 percent.

Looking at individual states:

- 34 states reported total tax revenue declines from July 2019 to April 2020 and only 12 states reported growth.
- 38 states reported declines in personal income tax revenues, while 3 states (Maine, Oklahoma, and South Carolina) reported growth.
- 36 states reported declines in corporate income tax revenues, while 8 states reported growth.
- 37 states reported sales tax growth, while 5 states (Georgia, Louisiana, Michigan, Oklahoma, and Pennsylvania) reported declines.

April’s collapse in consumption and employment turned steady revenue growth into unforeseen declines. COVID-19 and subsequent federal and state stay-at-home orders rapidly altered states’ fiscal year 2020 trajectory. With two months remaining in fiscal year 2020 for 46 states, total state tax revenues are now down about $57 billion.

While most states are gradually relaxing stay-at-home restrictions and opening economies back up, it will take a long time until business activity is back up to prior 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.

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.