



Fast Facts

General Fund Revenue Update – March 2020

First Signs of COVID-19 Impact to Revenues

The COVID-19 pandemic and the subsequent steps to combat the virus will have a massive effect upon the people of Pennsylvania, its economy, revenue collections and the overall budget. Almost every tax and revenue source will be impacted over varying time frames. A multi-billion revenue shortfall by the end of the fiscal year is possible, due to both changes in cash flow and the economic impacts caused by the crisis.

March Revenues

March is traditionally the largest revenue month during the fiscal year and starts off a major period of collections for the General Fund. Between March 1 and the end of the fiscal year on June 30, 41.9 percent of revenues were projected to be collected. In addition to a reduction of revenues from economic impacts of the virus, the extensions of filing deadlines for personal income tax will shift a significant amount of revenue to the next fiscal year. The commonwealth anticipated receipt of approximately \$2.1 billion from final and quarterly estimated payments from the PIT through the balance of the fiscal year. Most, if not all, of this revenue could be remitted in July.

For the month of March, total General Fund revenues were \$294.6 million lower than expected, or 6.2 percent. At the end of February, total General Fund revenues for the year were \$249.1 million, or 1.2 percent, above estimate. After March, total General Fund revenues for the year are now \$45.6 million, or 0.2 percent, below estimate.

Corporation Taxes

Corporation tax payments drive March revenues. The corporate net income tax has a quarterly estimated payment due this month. Gross receipts tax, insurance premiums tax and financial institution taxes are all collected in March.

- Corporate net income tax collections were \$82.1 million lower than expected (15.9 percent)
- Gross receipts tax (GRT) collections were \$156.2 million lower than expected (13.2 percent), although this is a slight overstatement of the shortfall since it appears some taxpayers remitted their collections early. The year-to-date shortfall for GRT is \$111.4 million.

Two corporate tax types exceeded estimate for the month, helping to offset the shortfall. These gains will likely not recur, as these tax types have limited collections expected through the end of the fiscal year.

- Insurance premiums tax collections were higher than expected by \$42.6 million (12.9 percent)
- Financial institutions tax collections were better than projected by \$30.8 million (9.4 percent)

Consumption Taxes

All consumption taxes fell short of estimate in March. As Pennsylvanians continue to comply with the governor's stay-at-home orders and non-life sustaining businesses stay closed to stop the spread of the virus, this impact will grow in coming months.

- Sales and use tax collections were \$24.2 million lower than expected (2.8 percent)
 - Non-motor sales tax collections were \$16.1 million less than estimate (2.2 percent)
 - Motor vehicle sales tax collections were \$8.1 million below projections (6.2 percent)
- Cigarette tax collections were \$15.2 million under estimate (19.2 percent)
- Other tobacco products tax collections fell short by \$1.1 million (10.9 percent)
- Liquor tax collections finished the month \$2.6 million less than expected (7.7 percent)
- Malt beverage tax collections are relatively small, but were \$0.8 million less than estimate (43.2 percent)

Other Taxes

- Personal income tax revenues were \$120.6 million lower than the official estimate (10.1 percent)
 - Employer withholdings on wages and salaries were \$20.0 million less than anticipated (2.0 percent)
 - Quarterly estimated payments were \$43.6 million less than anticipated (74.6 percent). Most taxpayers make their Q1 PIT estimated payment in April.
 - Final annual payments from taxpayers filing their returns were \$57.0 million lower than forecast (43.9 percent)

Both the non-withheld PIT payments (quarterly and annual) are affected by the Department of Revenue extending the due date until July 15. The change in deadline will likely affect when these payments are remitted to the commonwealth.

- Realty transfer tax collections were \$4.9 million less than expected (11.3 percent)
- Inheritance tax collections were \$20.6 million higher than anticipated (21.6 percent)
- Gaming tax receipts into the General Fund were \$3.9 million lower than projected (23.1 percent)
- Minor and repealed tax collections were \$25.4 million higher than expected (30.1 percent)

Non-tax revenues for March were \$6.3 million lower than expected (5.1 percent)

For the 2019/20 fiscal year to date:

- Cumulative General Fund revenues are \$45.6 million lower than expected (0.2 percent)
- General Fund tax revenues are \$110.1 million lower than projected (0.4 percent)
- Corporate net income tax revenues are \$205.1 million less than expected (8.6 percent)
- Sales and use taxes are \$68.2 million more than expected (0.8 percent)
- Personal income tax collections are \$14.9 million less than anticipated (0.2 percent)
- Non-tax revenues are \$64.6 million above the estimate (19.2 percent)

Compared to the last fiscal year:

- Total General Fund revenue is 2.3 percent higher
- General Fund tax revenue is 2.9 percent higher
- Corporate net income tax receipts are 0.4 percent lower
- Sales and use tax revenues are 3.6 percent higher
- Personal income tax collections are 3.8 percent higher

Looking Ahead

Tremendous uncertainty exists for General Fund revenues during the balance of the 2019/20 fiscal year. Some of the questions include:

- How long will Pennsylvanians need to strictly stay in their homes aside from life-sustaining activity to mitigate the outbreak?
- What are the temporary cash flow impacts of changing tax due dates? By delaying the April 15 deadline by 3 months to July 15, how many taxpayers will delay their payments – and push the associated collections outside of the 2019/20 fiscal year?
- What are longer-term economic impacts of shutting down large parts of the economy?

After March, April is traditionally the second largest month for revenues, as taxpayers file final returns.

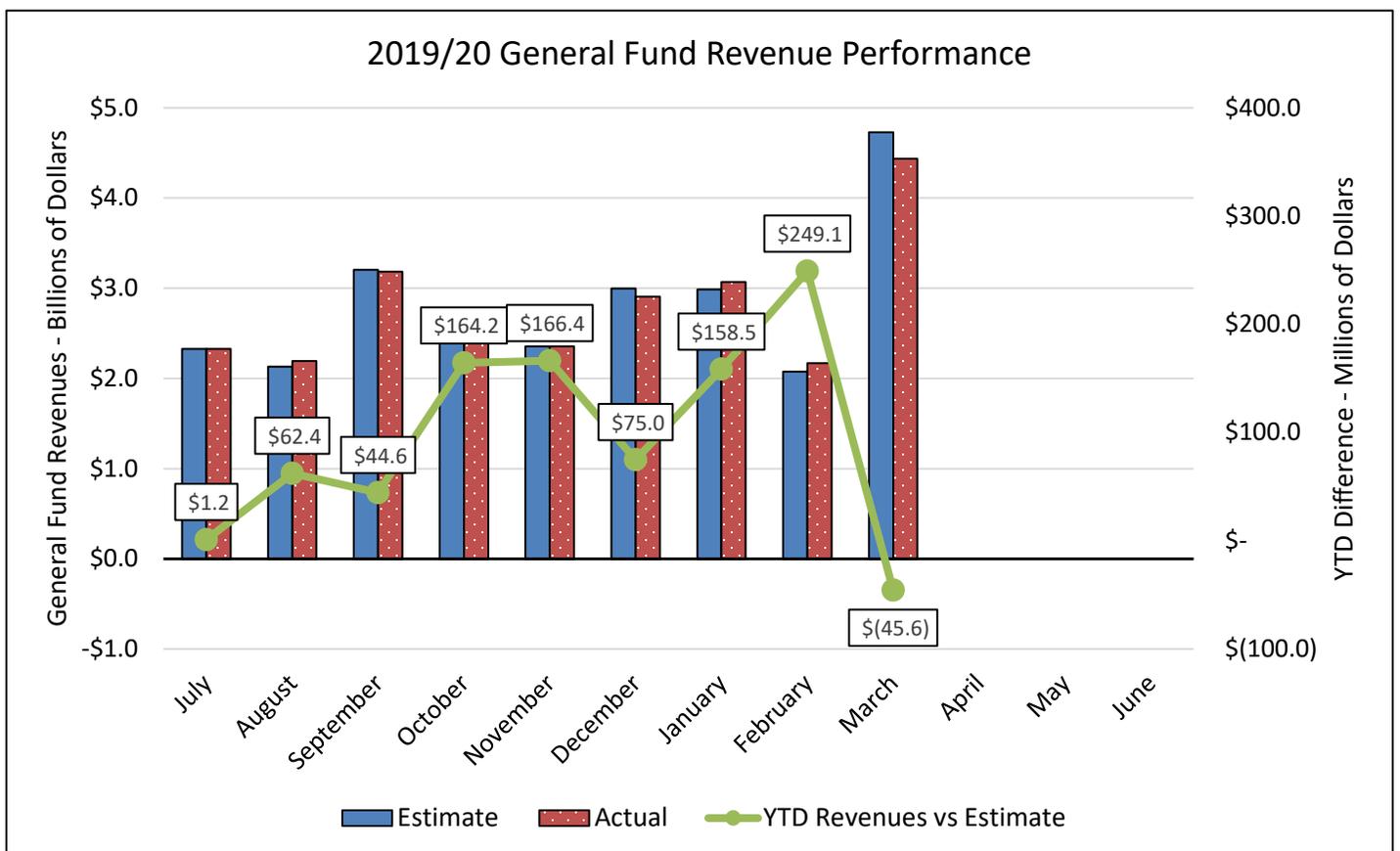
\$1.2 billion in PIT final payments were forecast for April, plus another \$392 million in quarterly estimated payments. A substantial portion of these payments may be delayed because the due date has been pushed back. June's quarterly payment, originally estimated at \$383 million, could also be impacted.

The impact of the pandemic on employment will likely start to decrease PIT withholding collections. One leading indicator is the unofficial count of new UC claims filed with the Department of Labor and Industry. Between March 15 and March 31, 939,025 new unemployment claims were filed by Pennsylvanians. For comparison, only 12,227 new claims were filed in the first week of March.

We can expect consumption taxes to continue to fall short throughout this crisis. More structural impacts will also emerge as employment impacts move through the economy.



General Fund Revenues - Year-to-Date Performance vs Official Estimate			
<i>Amounts in Millions</i>	YTD Estimate	YTD Collections	Difference
General Fund Total	25,360.0	25,314.4	(45.6)
Tax Revenue Total	25,022.9	24,912.8	(110.1)
Corporation Taxes	4,365.1	4,118.3	(246.8)
Consumption Taxes	9,636.5	9,682.6	46.1
Sales and Use Tax	8,439.6	8,507.8	68.2
Cigarette Tax	778.9	762.9	(16.0)
Other Tobacco Products	99.3	96.3	(3.0)
Malt Beverage Tax	16.9	16.4	(0.5)
Liquor Tax	301.8	299.3	(2.5)
Other Taxes	11,021.3	11,111.8	90.5
Personal Income Tax	9,774.9	9,760.0	(14.9)
Realty Transfer Tax	395.5	405.1	9.6
Inheritance Tax	801.6	867.4	65.8
Gaming	130.0	131.6	1.6
Minor and Repealed	(80.7)	(52.2)	28.5
Non-Tax Revenue	337.1	401.7	64.6



2019/20 Revenue Performance vs. Official Estimate

