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Fitch Rtgs: April Revenue Positive for US States; Sustainability Unclear

Fitch Ratings-New York-23 May 2019: US states' revenue data through the key tax collection month of April indicate generally positive results for widely varying reasons, but continued revenue volatility brings into question the sustainability of the positive trend, says Fitch Ratings. The December 2017 federal Tax Cuts and Jobs Act (TCJA) contributed to observed volatility, but other federal actions, namely the US Supreme Court's Wayfair decision, likely played a role as well. Revenue volatility will not generally affect ratings in the short term but it does make revenue forecasting more complex and challenges states' ability to manage their budgets.

April 15 is the tax filing deadline for nearly all states. Of the 32 states reporting monthly revenues through April and reviewed by Fitch, 31 indicate yoy growth. The median growth rate is 6.3%, consistent with last year's trend. Personal income tax (PIT) results remain a key driver. State PIT collections rebounded in April from January's weakness. The median change in PIT revenue accelerated from a 1% yoy decline through January, with 34 states reporting, to 5.7% growth through April, with 28 states reporting.

While very few states reported details, Fitch believes non-withholding PIT collections are a key driver in the stronger April performance. Connecticut, Massachusetts, Montana and Virginia reported withholding versus non-withholding results and, in all four, trends in withholding collections were relatively consistent between January and April but the pace for non-withholding collections improved sharply in April.

Continue reading.

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