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New Census Data Shows States Beat Revenue Expectations in FY 2020.

Key Findings

- State tax collections declined 5.5 percent in FY 2020 according to new Census data, though actual losses are likely to be significantly lower after accounting for the shifting of income tax collections into the current fiscal year due to delayed tax filing deadlines.
- After a sharp initial drop under stay-at-home orders, sales tax collections have rebounded, closing the year down 0.3 percent with indications of growth in early FY 2021.
- Individual income tax collections dropped 10.1 percent year-over-year, but most of this can be attributed to timing effects. However, states should expect sluggish income tax collections in FY 2021.
- Corporate income taxes plummeted 17.5 percent in FY 2020 as businesses went into the red, but fortunately for states, they account for less than 5 percent of state tax revenue.
- Other state taxes suffered as the activities they tax—driving, tourism, and entertainment among them—came to a standstill, and these may take time to recover.
- Local sales and property taxes have proven highly resilient thus far, though municipalities which impose local income taxes may experience distress as employees work remotely from outside their borders.
- The latest tax collection data are consistent with prior projections of FYs 2020 and 2021 underperforming initial projections by just under $200 billion (a decline of $121 billion compared to a FY 2019 baseline), which would represent a loss of far lower magnitude than many initially feared.

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September 18, 2020