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State Tax and Economic Review, 2020 Quarter 2.

States Saw Freefall Drop in Revenues in the Second Quarter; Partly Offset in the Third Quarter but Still Depressed from Pandemic

Abstract

States saw steep declines in revenues in the second quarter of 2020, though some of this was caused by shifting revenues into the next quarter and next fiscal year. Consequently, most states ended fiscal year 2020 uncertain about their fiscal bottom line. Many states cut spending, laid off or furloughed workers, or used federal aid or rainy-day funds, while they waited to see what their revenues would be after the July 15 income tax filing deadline.

States are still facing unprecedented fiscal uncertainties because of the pandemic which has substantially weakened the economy since March. The recent surge in infection rates mean depressed business activity for a wide range of businesses and services across virtually all states, possibly less consumer spending, and less sales tax revenues for states. Although COVID vaccines are on the horizon, it will take a long time for business activity to return to pre-pandemic levels, with some activities and industries facing a very slow recovery.

[View the full report.](#)

The Urban Institute

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