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States Expected Covid-19 to Bring Widespread Tax Shortfalls. It Didn't Happen.

Tax revenues came in only slightly lower for U.S. states, contrary to projections for major declines

States have avoided a Great Depression-scale cash crisis.

Despite the pandemic's crushing toll on the economy, total state tax revenues were roughly flat in 2020 from the year before, according to the State and Local Finance Initiative at the Urban Institute, a Washington, D.C., think tank.

Last spring, stores shut down to contain the spread of Covid-19 and unemployment skyrocketed. People spent less money on everything from shoes to restaurants to salons. Sales tax collections fell billions of dollars short of forecasts.

But widespread federal intervention buoyed households, businesses and financial markets and helped avert analysts' doomsday projections for state revenues. The stable employment environment for the country's most affluent workers also brought in stronger than expected tax revenue.

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By Heather Gillers and Peter Santilli

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