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April Tax Collections Plummet from Tax Deadline Shifts and Fallout of COVID-19.

As expected, April tax collections fell sharply with many states experiencing year-over-year declines of at least 50 percent, as highlighted in the below state-by-state press articles. The precipitous drops were brought on by a combination of states shifting their tax deadlines to July 15, and the economic impact of the coronavirus.

Tax Deadline Shifts

On March 21, the U.S. Treasury Department and Internal Revenue Service (IRS) announced that the federal income tax filing deadline would be extended from April 15, 2020, to July 15, 2020. Following this federal action, 40 states also chose to extend their state tax deadline to July 15, 2020, while seven states chose other deadlines, according to the American Institute of Certified Public Accountants (AICPA). The tax deadline shift led many taxpayers to postpone filing their tax returns, causing a sharp drop in personal income tax payments in April.

Personal Income Taxes

Within the personal income tax category, states saw the largest declines within the non-withholding component which includes estimated and final payments. States are hopeful that they will receive most of the delayed payments in July. However, some of the deferred taxes may not be collected in July as taxpayers' financial outlooks worsen. Most states also noted a decline in the withholding category of personal income taxes (or the amount withheld from an employee's paycheck and paid directly to the government) in April. The declines were perhaps not as much as many had expected with the unemployment rate reaching 14.7 percent in April. This may be partly explained due to many states taxing unemployment benefits.

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