



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report April 2020

COVID-19 Pandemic Takes Toll on Pennsylvania's Economy

General Fund revenue collections for the month of March were negatively affected by the COVID-19 pandemic. Governor Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations as of 8 p.m. March 19 to slow the spread of COVID-19. Enforcement actions against businesses that do not close physical locations are now in effect. Furthermore, the Pennsylvania Department of Revenue has many of its offices closed, so the processing of tax returns and payments is being delayed. These actions are having a tremendous impact on Pennsylvania's economy, and tax collections will be impaired for the remainder of the fiscal year. Coming out of February, the General Fund surplus was nearly \$250 million, but it has quickly shifted to a deficit of \$45.6 million for the fiscal year-to-date.

General Fund revenues for March were \$294.6 million below the monthly estimate. Collectively, corporation taxes were below the monthly estimate by \$161.1 million. Gross receipts tax (GRT) missed the monthly estimate by \$156.2 million, although early GRT payments of approximately \$40 million received in February make March's collections appear that much worse. By adjusting for this timing difference, March GRT payments were about \$116 million lower than expected. Corporate net income tax collections were under estimate by \$82.1 million. Fortunately, insurance premiums tax and bank shares taxes exceeded the monthly estimate by \$42.6 million and \$31.6 million, respectively. Generally, GRT, insurance premiums tax and bank shares tax payments are due once per year in March.

Payments received from annual personal income tax (PIT) returns and estimated payments originally due by April 15 were below the monthly estimate by just over \$100 million. PIT annual tax returns and payments, along with estimated payments due April 15 and June 15, have been extended to July 15. This, combined with the Department of Revenue shutdown, could push more than \$2 billion of General Fund revenues from the personal income tax out of fiscal year 2019-20 and into 2020-21. Going forward, it is likely that most, if not all, General Fund revenue sources will endure significant shortfalls.

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**WHAT LIES
BEHIND US AND
WHAT LIES
BEFORE US ARE
tiny matters
COMPARED TO
WHAT LIES
WITHIN US.**

Ralph Waldo Emerson

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COVID-19 Pandemic Takes Toll on Pennsylvania's Economy

March General Fund Revenue:

- General Fund revenue collections of \$4.43 billion were below the monthly estimate by \$294.6 million, or 6.2%.
- General Fund tax revenues were below estimate by \$288.4 million, or 6.3%.
- Corporation taxes were \$161.1 million, or 6.8%, short of estimate.
- Sales and use tax (SUT) collections missed the estimate by \$24.2 million, or 2.8%, for the month. Much of this tax was collected on sales made in February and remitted in March. Sales tax collections are likely to dip further in future months.
- Personal income tax collections were below estimate by \$120.6 million, or 10.1%.
- Non-tax revenues missed the estimate by \$6.3 million, or 5.1%.

Fiscal Year 2019-20 vs. the Official Revenue Estimate To-Date:

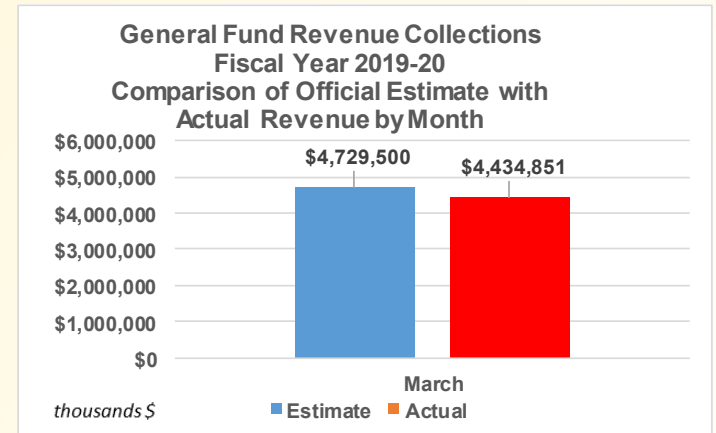
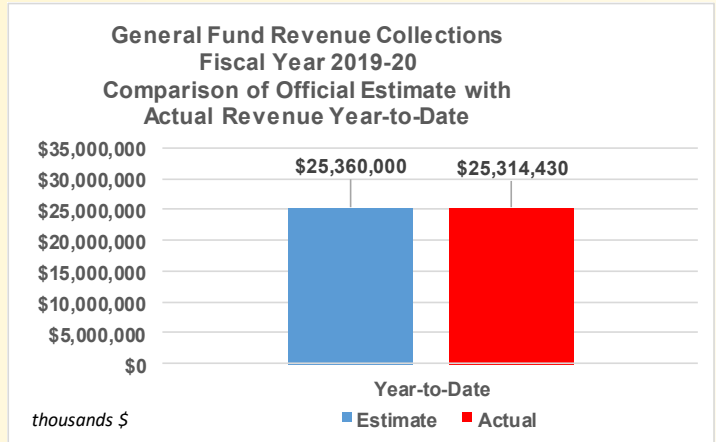
- Total General Fund revenues are \$45.6 million, or 0.2%, lower than the Official Revenue Estimate through the month of March.
- General Fund tax revenue is \$110.1 million, or 0.4%, lower than estimated.
- Corporation taxes are \$246.8 million, or 5.7%, below estimate.
- Sales and use taxes are \$68.2 million, or 0.8%, above estimate.
 - General SUT collections are \$40.3 million, or 0.5%, above estimate.
 - SUT collections on motor vehicle sales are \$27.9 million, or 2.5%, over estimate.
- Personal income tax collections are below estimate by \$14.9 million, or 0.2%.
 - Withheld PIT is \$47.2 million, or 0.6%, below estimate.
 - Annual PIT payments are \$7.5 million, or 1.9%, over estimate.
 - Quarterly PIT payments are \$24.8 million, or 2.1%, above estimate.
- Non-tax revenues are \$64.6 million, or 19.2%, higher than the estimate.

Fiscal Year 2019-20 vs. FY 2018-19:

- Total General Fund revenues through March are \$564.7 million higher than last year at this time.
- General Fund tax revenue is \$691.4 million, or 2.9%, higher than last year.
- Corporation taxes are \$71.7 million, or 1.7%, lower than last year.
- Sales and use tax collections are \$296.9 million, or 3.6%, higher than last year through March.
- Personal income tax collections exceed last year's collections by \$354.1 million, or 3.8%.
- Non-tax revenues are \$126.7 million, or 24%, less than last fiscal year through March. The decrease results from one-time gaming expansion licenses and fees that were received last year but not this year.

Motor License Fund:

- Motor License Fund revenues are below estimate by \$21.3 million, or 1%, through March.
- Motor License Fund revenues are \$37 million, or 1.9%, more than last fiscal year at this time.



Unemployment Compensation Program Expanded to Meet COVID-19 Crisis

Governor Wolf's order to close the physical locations of all non-life-sustaining businesses has left many Pennsylvanians, both employers and employees alike, turning to the Unemployment Compensation system for help. The Governor's signing of Act 9 of 2020, and President Trump's signing of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act have put in place temporary but necessary provisions to help people in need through these trying times.



The following recent changes to the Unemployment Compensation (UC) system have been put into place to navigate the current situation:

EMPLOYEES:

The CARES Act put into place multiple provisions to assist employees, including those not normally eligible for UC. The provisions of Act 9 of 2020 are necessary to conform Pennsylvania's UC law to the CARES Act.

The CARES Act expands UC benefit eligibility to include an individual who meets at least one of the following criteria:

- Is diagnosed with or showing symptoms of COVID-19 illness or has been advised to self-quarantine;
- Is a member of a household with another individual who has been diagnosed;
- Is caring for someone who has been diagnosed;
- Has primary caregiving responsibility for a dependent who is unable to attend school or another facility that is closed;
- Is unable to reach their place of employment because of quarantine;
- Has had their place of employment close as a direct result of COVID-19; or
- Is self-employed or would otherwise not qualify for regular benefits.

Several provisions have been temporarily suspended, including the 'Work Search and Work Registration' and 'Waiting Week' requirements, meaning all eligible claimants will receive payment for their first week of unemployment.

In addition to the regular benefits allowed under state law, the CARES Act allows for the additional payment of \$600 per week to eligible claimants. The cost of this expanded benefit, along with the payment of the first week of benefits, will be fully funded by the federal government.

EMPLOYERS:

Act 9 of 2020 put into place temporary provisions specifically for employers during the COVID-19 emergency proclamation. For all employers who contribute to the UC system, automatic relief from charges is granted for claims that are related to the COVID-19 pandemic or efforts to prevent its spread. Employers are not required to apply but will be automatically granted relief once it is determined that the claim is due to COVID-19. Employers who have elected to pay the solvency fee will also be granted automatic relief from charges.

For reimbursable employers who have chosen not to pay the solvency fee, the repayment of benefits shall be required within 120 days of being notified of obligations. The Department of Labor and Industry (department) also has the authority to extend the deadline by an additional 60 days if an employer requests an extension and demonstrates financial hardship. The department will also make available interest-free repayment plans for employers who demonstrate financial hardship.

For reimbursable employers who are government entities or not-for-profit entities, the CARES Act provides that the federal government will cover 50% of the reimbursable amounts of these employers.

Pennsylvania's UC system is experiencing an extremely high volume of communications both via phone and online and is encouraging the utilization of its online services when possible. For more information, please visit the department's website at <https://www.uc.pa.gov/COVID-19>.



CORONAVIRUS (COVID-19)

Federal Government to Assist in the Fight Against COVID-19

Enacted into law on March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act represents the third and largest effort to date by the federal government to respond to the COVID-19 pandemic impacting millions of families and businesses across the United States as well as states and local governments. The CARES Act is estimated to provide Pennsylvania nearly \$7.9 billion in emergency funding to keep workers employed and paid, provide recovery rebates to individuals and families, offer expanded unemployment compensation to those who lost work because of the pandemic, and provide billions in funds to state and local governments to cover the costs associated with this public health emergency.

The following are a few highlights of what is included in the package:

- **Paycheck Protection Program:** Authorizes up to \$349 billion in forgivable loans to small businesses and nonprofits to pay their employees during the COVID-19 crisis. Capped at \$10 million, the loans can be forgiven as long as: 1) the loan proceeds are used to cover payroll costs, mortgage interest or rent, and utility costs over the 8-week period after the loan is made; and 2) employee and compensation levels are maintained. Eligible entities can apply to any existing SBA lender or through any federally insured depository institution or credit union or by visiting <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses> for more information.
- **Expanded Unemployment Assistance:** Expanded unemployment insurance benefits are available for workers affected by the pandemic. The one-week waiting period for benefits is waived, recipients can receive an additional \$600-per-week payment in addition to regular UC benefits, payments are extended to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history) and an additional 13 weeks of benefits is provided to those who remain unemployed after state unemployment benefits are no longer available.
- **Recovery Rebates:** All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married filing jointly), who are not a dependent of another taxpayer and have a work-eligible social security number, are eligible for the full \$1,200 (\$2,400 married) rebate, plus an additional \$500 per child. Those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits, are also eligible. For most Americans, no action is required in order to receive a rebate check as the IRS will use a taxpayer's 2019 tax return if filed, or in the alternative their 2018 return.
- **Coronavirus Relief Fund:** Provides \$150 billion, of which Pennsylvania is estimated to receive \$4.96 billion, that state and local governments can use to meet costs connected to the virus.
- **Emergency Appropriations:** The CARES Act provides \$340 billion in new funding to address needs related to the pandemic, with many of these resources flowing to state and local governments. Resources include funds for: emergency food assistance and shelter, personal protective equipment for police and first responders, National Guard deployments, child care assistance for essential workers, mental health assistance and suicide prevention services, low-income energy assistance, and over \$1 billion for local school districts and higher education institutions.

Fiscal Year 2019-20
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

REVENUE SOURCES	YTD FY 2018-19	March 2020 Actual	March 2020 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	24,749,688	4,434,851	4,729,500	(294,649)	25,314,430	25,360,000	(45,570)
TOTAL - NN-TAX REVENUE	528,363	117,123	123,400	(6,277)	401,657	337,100	64,557
TOTAL - TAX REVENUE	24,221,325	4,317,728	4,606,100	(288,372)	24,912,774	25,022,900	(110,126)
TOTAL - Corporation Taxes	4,189,995	2,196,660	2,357,800	(161,140)	4,118,300	4,365,100	(246,800)
Accelerated Deposits	1,818	3,302	0	3,302	6,090	0	6,090
Corp. Net Income	2,192,628	434,858	517,000	(82,142)	2,182,794	2,387,900	(205,106)
Gross Receipts	1,195,175	1,025,706	1,181,900	(156,194)	1,103,508	1,214,900	(111,392)
PURTA	1,460	531	0	531	2,468	2,900	(432)
Insurance Premiums	427,170	373,906	331,300	42,606	442,470	398,300	44,170
Financial Institutions	371,745	358,357	327,600	30,757	380,969	361,100	19,869
TOTAL - Consumption Taxes	9,437,209	944,050	987,900	(43,850)	9,682,630	9,636,500	46,130
Sales and Use	8,210,915	839,226	863,400	(24,174)	8,507,785	8,439,600	68,185
General (net of transfers)	7,128,243	718,189	734,300	(16,111)	7,367,069	7,326,800	40,269
Motor Vehicle Sales	1,082,672	121,038	129,100	(8,062)	1,140,716	1,112,800	27,916
Cigarette Tax	824,346	64,175	79,400	(15,225)	762,866	778,900	(16,034)
Other Tobacco Products	96,016	8,995	10,100	(1,105)	96,263	99,300	(3,037)
Malt Beverage	17,308	1,023	1,800	(777)	16,414	16,900	(486)
Liquor	288,624	30,631	33,200	(2,569)	299,303	301,800	(2,497)
TOTAL - Other Taxes	10,594,122	1,177,018	1,260,400	(83,382)	11,111,843	11,021,300	90,543
Personal Income	9,405,895	1,068,414	1,189,000	(120,586)	9,759,962	9,774,900	(14,938)
Withholding	7,856,067	980,634	1,000,600	(19,966)	8,127,753	8,175,000	(47,247)
Non-Withholding	1,549,828	87,780	188,400	(100,620)	1,632,209	1,599,900	32,309
Realty Transfer	383,549	38,566	43,500	(4,934)	405,094	395,500	9,594
Inheritance & Estate	762,088	116,089	95,500	20,589	867,443	801,600	65,843
Minor & Repealed	(53,965)	(58,966)	(84,400)	25,434	(52,206)	(80,700)	28,494
Gaming	96,555	12,915	16,800	(3,885)	131,550	130,000	1,550
TOTAL - MOTOR LICENSE FUND	1,985,614	217,679	224,180	(6,501)	2,022,595	2,043,870	(21,275)
TOTAL - Liquid Fuels Taxes	1,335,024	116,826	115,700	1,126	1,317,348	1,344,100	(26,752)
Motor Carriers/IFTA	92,553	582	4,600	(4,018)	90,982	100,400	(9,418)
Alternative Fuels	10,889	2,148	1,300	848	10,556	11,600	(1,044)
Oil Company Franchise	1,231,168	114,104	109,800	4,304	1,215,812	1,232,100	(16,288)
Minor & Repealed	415	(8)	0	(8)	(2)	0	(2)
TOTAL - Licenses, Fees & Other	650,591	100,853	108,480	(7,627)	705,247	699,770	5,477
Licenses and Fees	637,687	88,766	105,300	(16,534)	683,218	686,100	(2,882)
Other Motor Receipts	12,904	12,088	3,180	8,908	22,030	13,670	8,360