



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report April 2021

March Revenue Collections Exceed Expectations

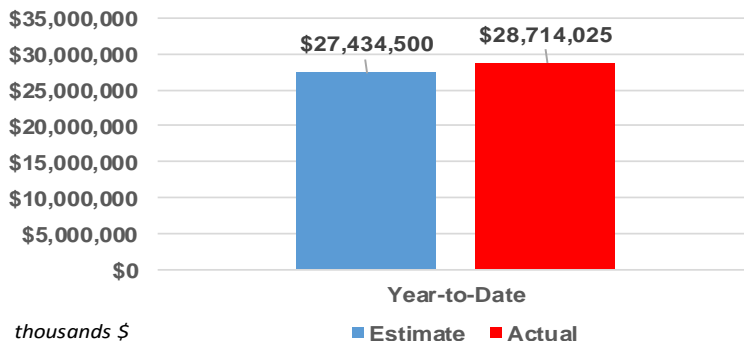
General Fund revenue collections for the month of March outperformed expectations by \$378.2 million as the result of strong collections across the board in most tax categories, with a few exceptions. Collectively, corporation taxes exceeded the monthly estimate by \$82.6 million, or 4%, with corporate net income tax and financial institutions tax (i.e., bank shares tax) leading the way. Insurance premiums tax, which is mostly paid once per year in March, was below estimate by \$27.4 million, or 7%. Collections were notably robust in consumption taxes, including sales and use tax (SUT) and other taxes, including personal income tax (PIT) and inheritance tax. Non-tax revenues were also above estimate by \$17.6 million.

General Fund revenues are now \$1.28 billion, or 4.7%, above November’s revised Official Revenue Estimate even though the Governor’s FY 2021-22 Executive Budget projected a revenue surplus of only \$535.5 million by this fiscal year’s end in June 2021.

March General Fund Revenue:

- General Fund revenue collections of \$4.84 billion were above the monthly estimate by \$378.2 million, or 8.5%.
- General Fund tax revenues were ahead of estimate by \$360.6 million, or 8.3%.
- Corporation taxes were \$82.6 million, or 4%, above estimate.

**General Fund Revenue Collections
Fiscal Year 2020-21
Comparison of Official Estimate with
Actual Revenue Year-to-Date**



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March Revenue Collections Exceed Expectations Continued....

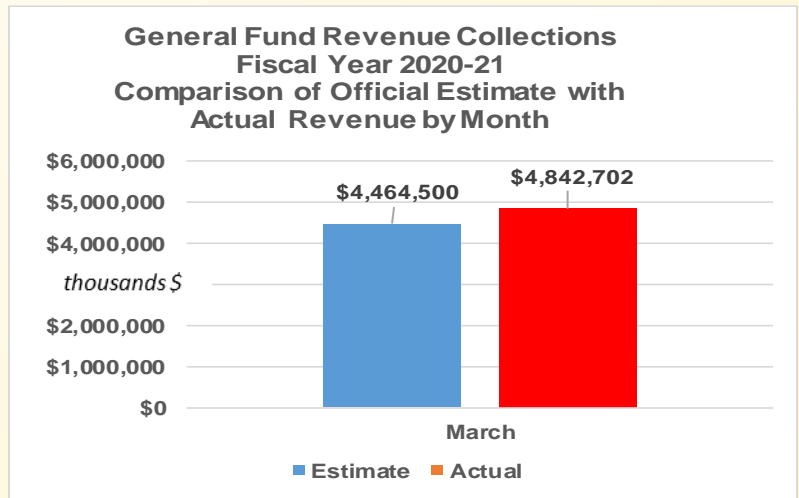
- o Corporate net income tax was above estimate by \$92.4 million, or 25.1%.
- o Gross receipts tax missed the estimate by \$11.6 million, or 1.2%.
- o Insurance premiums tax was \$27.4 million, or 7%, lower than estimated.
- o Financial institutions tax was \$31.1 million, or 9.2%, above estimate.
- Sales and use tax (SUT) collections beat the estimate by \$85.8 million, or 10.3%, for the month.
- Personal income tax (PIT) -collections were higher than the estimate by \$95.1 million, or 7.5%.
- Realty transfer tax revenue exceeded the estimate by \$16.5 million, or 45.9%.
- Inheritance tax collections were above estimate by \$59.5 million, or 61.9%.
- Non-tax revenues exceeded the estimate by \$17.6 million, or 17.4%.

Fiscal Year 2020-21 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$1.28 billion, or 4.7%, higher than the Official Revenue Estimate through the month of March.
- General Fund tax revenue is \$1.24 billion, or 4.7%, higher than estimated.
- Corporation taxes are \$476.7 million, or 11.5%, above estimate.
- Sales and use taxes are \$256.8 million, or 2.8%, higher than the estimate.
 - o General SUT collections are \$255.6 million, or 3.3%, above estimate.
 - o SUT collections on motor vehicle sales are \$1.2 million, or 0.1%, over estimate.
- Personal income tax collections exceed the estimate by \$272.6 million, or 2.5%.
 - o Withheld PIT is \$105.7 million, or 1.3%, above estimate.
 - o Non-withheld PIT (annual & estimated payments) is \$166.9 million, or 5.7%, ahead of estimate.
- Non-tax revenues are \$37 million, or 4.7%, over estimate.

Motor License Fund:

- Motor License Fund revenues are below the estimate by \$28.9 million, or 1.4%, through March.
- Motor License Fund revenues are \$10 million, or 0.5%, more than last fiscal year at this time.



Pennsylvania Extends Personal Income Tax Filing Deadline to May 17, 2021

The Department of Revenue announced that the deadline for taxpayers to file their 2020 Pennsylvania personal income tax returns and make final 2020 income tax payments is extended to May 17, 2021. This means taxpayers will have an additional month to file from the original deadline of April 15. The Internal Revenue Service also announced it would extend the federal income tax filing deadline to May 17, 2021.

The IRS said in its announcement that the extension is another action the agency is taking to do everything it can to help taxpayers navigate the unusual circumstances related to the COVID-19 pandemic. Under Pennsylvania law, the deadline for filing state income tax returns is tied to the deadline set at the federal level.

The extension means the Department of Revenue will waive penalties and interest on final 2020 personal income tax returns (Form PA-40) and payments through the new deadline of May 17, 2021.

Taxpayers who make estimated income tax payments should continue to do so on the same filing schedule that they would normally follow. This includes taxpayers with estimated tax payments due on April 15, 2021.

Although the filing deadline for 2020 tax returns has been extended, the Department of Revenue is encouraging taxpayers who are able to file their returns electronically to do so as soon as possible. If you are expecting a refund from the Commonwealth, filing electronically will help avoid a delay in the release of your refund. The Department of Revenue is encouraging taxpayers to electronically file their Pennsylvania personal income tax returns with the department's new, state-only filing system available at mypaib.pa.gov

Index of State Economic Momentum and the Importance of Federal Fiscal Relief

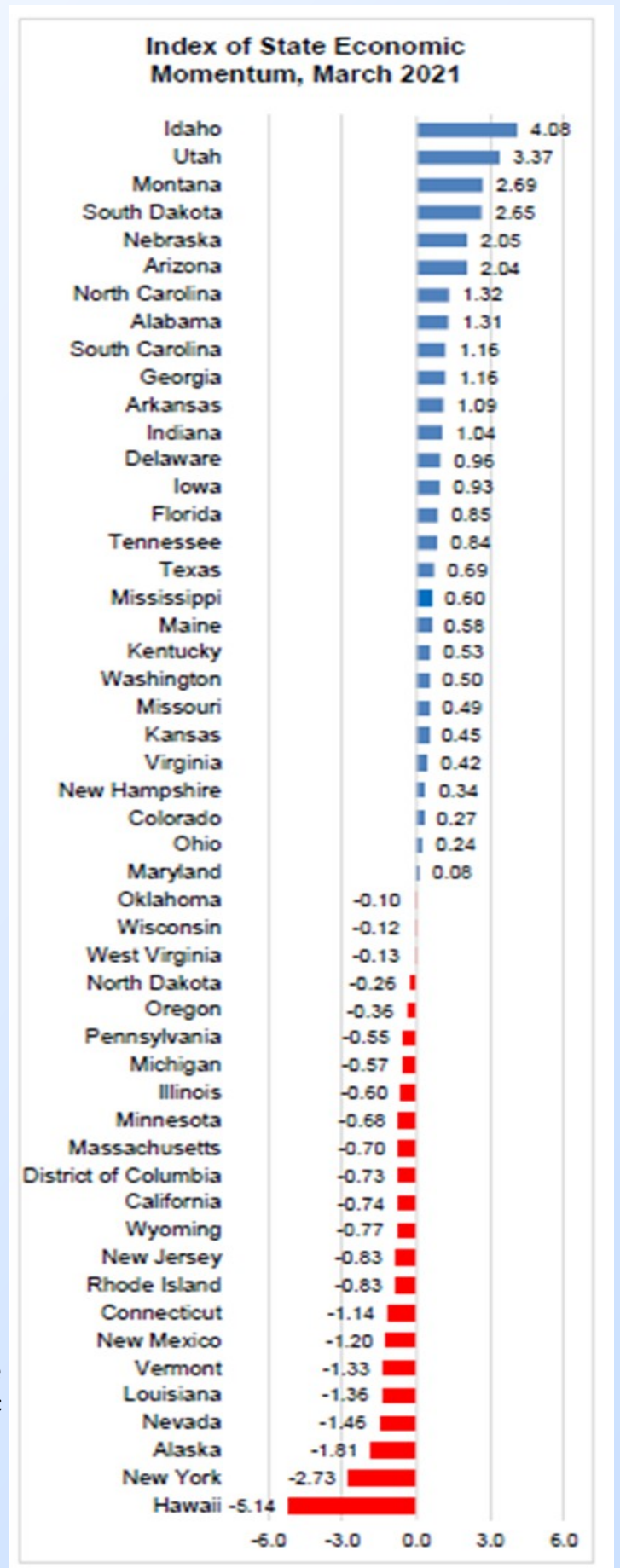
Federal Funds Information for States (FFIS) provides research and analysis of the impact on states of federal budget actions. FFIS' services play an important role in allowing Pennsylvania's policymakers to navigate the increasingly complex interaction between federal and state government fiscal policies, especially those related to the response to the COVID-19 pandemic. In its recent issue of *State Policy Reports* (Volume 39, Issue 6, March 2021), FFIS analyzes the Index of State Economic Momentum, which ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth.

Measures of the three components are averaged, and the national average is set at zero. Each state's score is then expressed as a percentage above or below the national average. The chart to the right shows the results based on the most recent data. In this first update of 2021, Pennsylvania is below the national average by just over one-half of one percent, which places the Commonwealth at number 34 among all states and the District of Columbia, with one (1) being the highest performing state.

As FFIS points out, this most recent index analysis incorporates quarterly personal income figures that reflect a relative absence of the types of federal fiscal stimulus assistance that bolstered personal income and propped up economic performance in earlier quarters. There were no federal relief bills enacted between late April and late December 2020, so direct payments to individuals and bonus unemployment assistance are not as much of a factor in the personal income growth component of the index, in which Pennsylvania ranks 35th. In the employment growth component of the index, Pennsylvania also ranks 35th, and the Commonwealth ranks even lower at 41st among all states and D.C. in the change in state population component of the index – further evidence of the Commonwealth's demographic challenges.

Recently, the Independent Fiscal Office (IFO) published its estimate of actual federal fiscal relief to Pennsylvania in 2020, and the amounts are significant. Despite the overarching negative impact of the pandemic, Pennsylvania personal income is actually higher than it would have been without the pandemic because of stimulus payments. The table on the next page summarizes the federal fiscal relief.

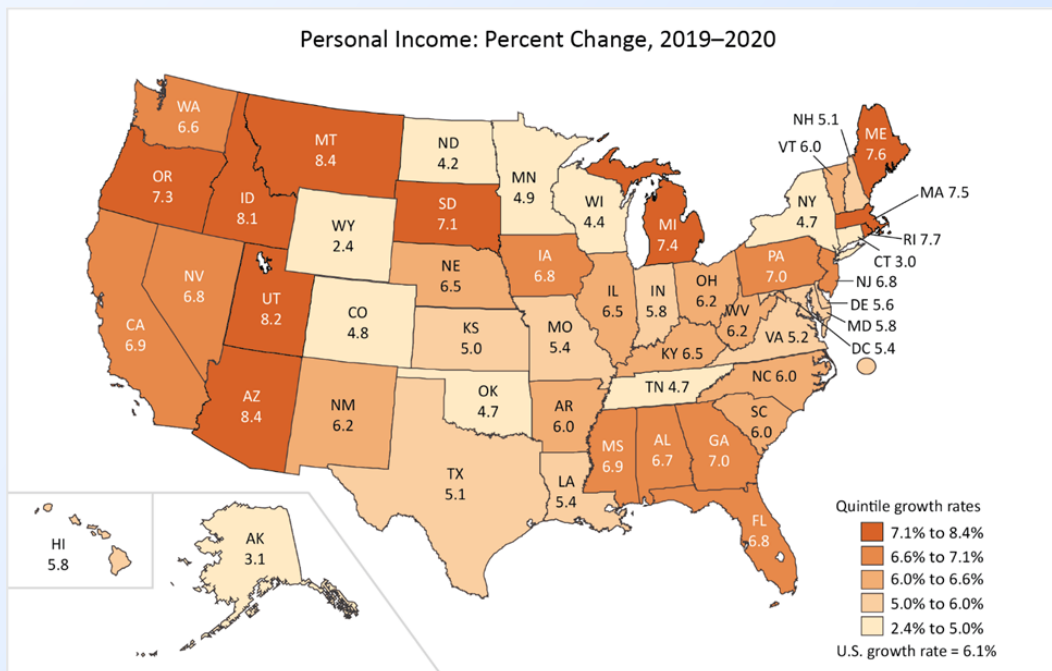
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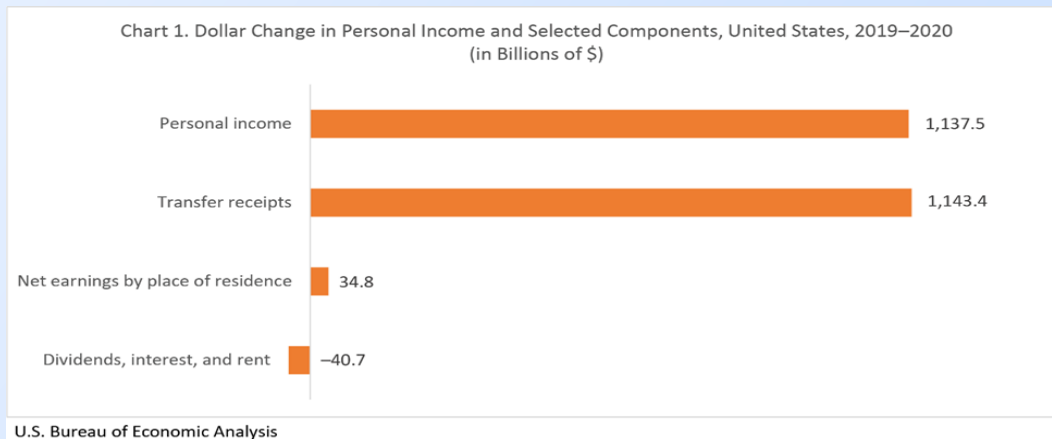
Index of State Economic Momentum and the Importance of Federal Fiscal Relief Continued...

	2020	Notes
	<i>\$ billions</i>	
Payments to Individuals		
State Unemployment Comp	\$5.2	\$600 per week
Federal Pandemic UC	16.2	
Pandemic Unemployment Assistance (PUA)	7.0	
Other Federal Assistance	3.3	
SNAP Benefits	0.9	
Economic Impact Payments	11.0	6.6 million PA recipients
Total	\$43.6	
Other Federal Programs		
Paycheck Protection Program (PPP)	\$20.7	
Direct State Support	6.1	
Direct Local Support	2.5	
Other Support	4.7	

The following charts further illustrate how federal transfer payments and other fiscal relief have impacted personal income. The second chart shows that transfer receipts (i.e. payments received from the government) accounted for more than the entire growth in personal income nationwide. Based on historical averages, Pennsylvania's personal income typically grows at about 3.7% annually. From 2018 to 2019, prior to the pandemic, Pennsylvania personal income grew by 3.6%.



U.S. Bureau of Economic Analysis



Fiscal Year 2020-21
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

REVENUE SOURCES	YTD FY 2019-20	March 2021 Actual	March 2021 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	25,314,430	4,842,702	4,464,500	378,202	28,714,025	27,434,500	1,279,525
TOTAL - NON-TAX REVENUE	401,657	118,810	101,200	17,610	825,348	788,300	37,048
TOTAL - TAX REVENUE	24,912,774	4,723,892	4,363,300	360,592	27,888,677	26,646,200	1,242,477
TOTAL - Corporation Taxes	4,118,300	2,160,863	2,078,300	82,563	4,637,984	4,161,300	476,684
Accelerated Deposits	6,090	(2,504)	0	(2,504)	2,279	0	2,279
Corp. Net Income	2,182,794	460,046	367,600	92,446	2,816,179	2,343,000	473,179
Gross Receipts	1,103,508	967,688	979,300	(11,612)	988,324	1,003,600	(15,276)
PURTA	2,468	579	100	479	3,064	2,300	764
Insurance Premiums	442,470	365,838	393,200	(27,362)	428,194	453,400	(25,206)
Financial Institutions	380,970	369,216	338,100	31,116	399,945	359,000	40,945
TOTAL - Consumption Taxes	9,682,630	1,048,520	944,100	104,420	10,501,141	10,214,900	286,241
Sales and Use	8,507,785	915,991	830,200	85,791	9,282,908	9,026,100	256,808
General (net of transfers)	7,367,069	757,368	693,100	64,268	7,960,367	7,704,800	255,567
Motor Vehicle Sales	1,140,716	158,623	137,100	21,523	1,322,540	1,321,300	1,240
Cigarette Tax	762,866	87,538	71,000	16,538	792,626	766,900	25,726
Other Tobacco Products	96,263	10,271	8,900	1,371	99,204	94,600	4,604
Malt Beverage	16,414	1,216	1,900	(684)	16,375	17,400	(1,025)
Liquor	299,303	33,504	32,100	1,404	310,028	309,900	128
TOTAL - Other Taxes	11,111,843	1,514,510	1,340,900	173,610	12,749,552	12,270,000	479,552
Personal Income	9,759,962	1,368,699	1,273,600	95,099	11,208,465	10,935,900	272,565
Withholding	8,127,753	1,154,421	1,108,500	45,921	8,112,872	8,007,200	105,672
Non-Withholding	1,632,209	214,277	165,100	49,177	3,095,593	2,928,700	166,893
Realty Transfer	405,094	52,528	36,000	16,528	465,597	396,900	68,697
Inheritance & Estate	867,443	155,713	96,200	59,513	963,158	857,400	105,758
Minor & Repealed	(52,206)	(84,070)	(79,700)	(4,370)	(54,648)	(73,200)	18,552
Gaming	131,550	21,640	14,800	6,840	166,980	153,000	13,980
TOTAL - MOTOR LICENSE FUND	2,022,595	229,827	219,550	10,277	2,032,617	2,061,470	(28,853)
TOTAL - Liquid Fuels Taxes	1,317,348	121,196	118,100	3,096	1,225,421	1,285,600	(60,179)
Motor Carriers/IFTA	90,982	27,340	4,700	22,640	92,611	93,700	(1,089)
Alternative Fuels	10,556	1,099	1,300	(201)	8,468	8,700	(232)
Oil Company Franchise	1,215,812	92,756	112,100	(19,344)	1,124,384	1,183,200	(58,816)
Minor & Repealed	(2)	1	0	1	(42)	0	(42)
TOTAL - Licenses, Fees & Other	705,248	108,632	101,450	7,182	807,196	775,870	31,326
Licenses and Fees	683,218	103,792	100,400	3,392	794,895	768,100	26,795
Other Motor Receipts	22,030	4,840	1,050	3,790	12,301	7,770	4,531