

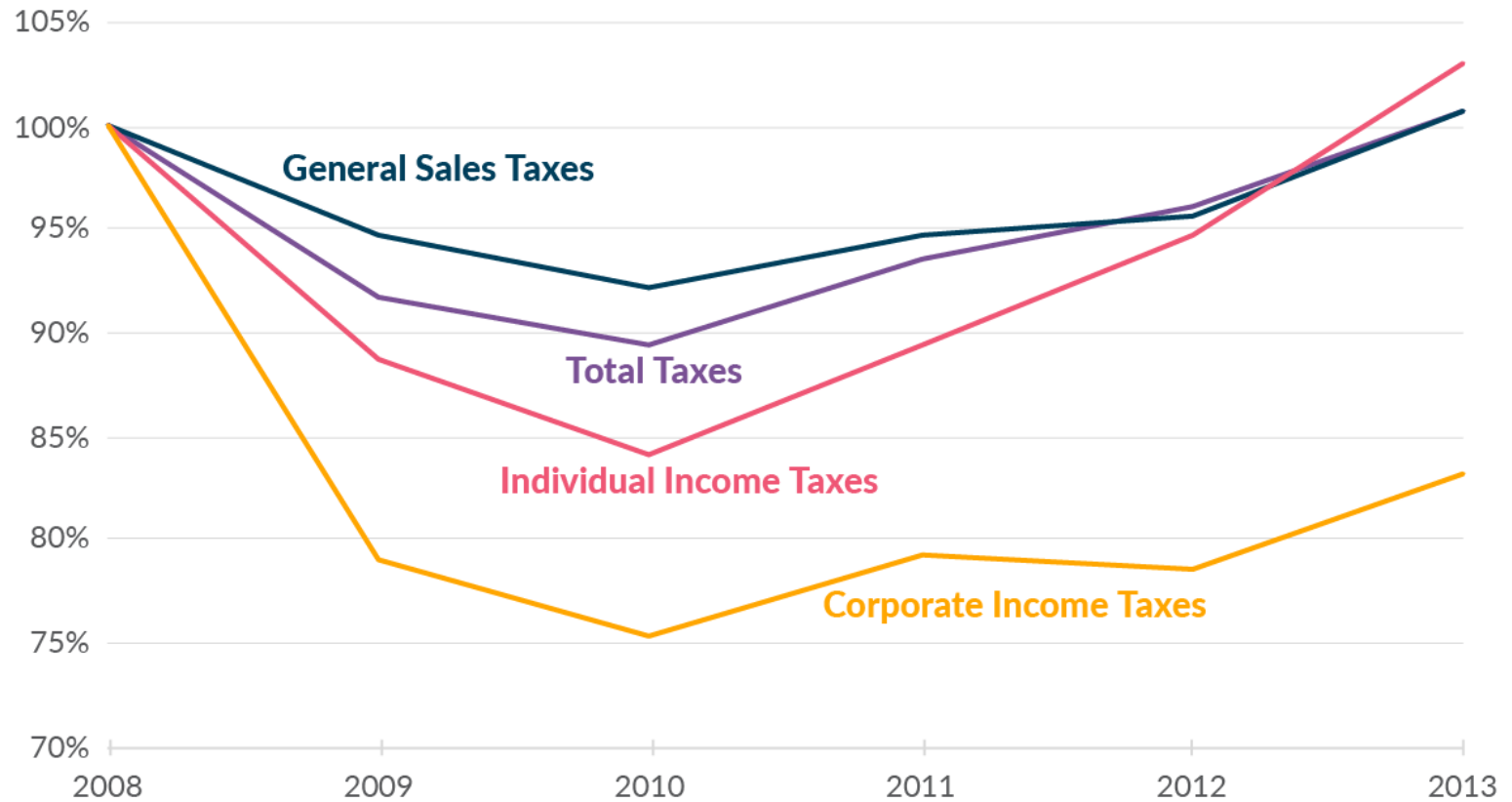
COVID-19 Shocks Across the Nation: Damage and Responses

June 19, 2020

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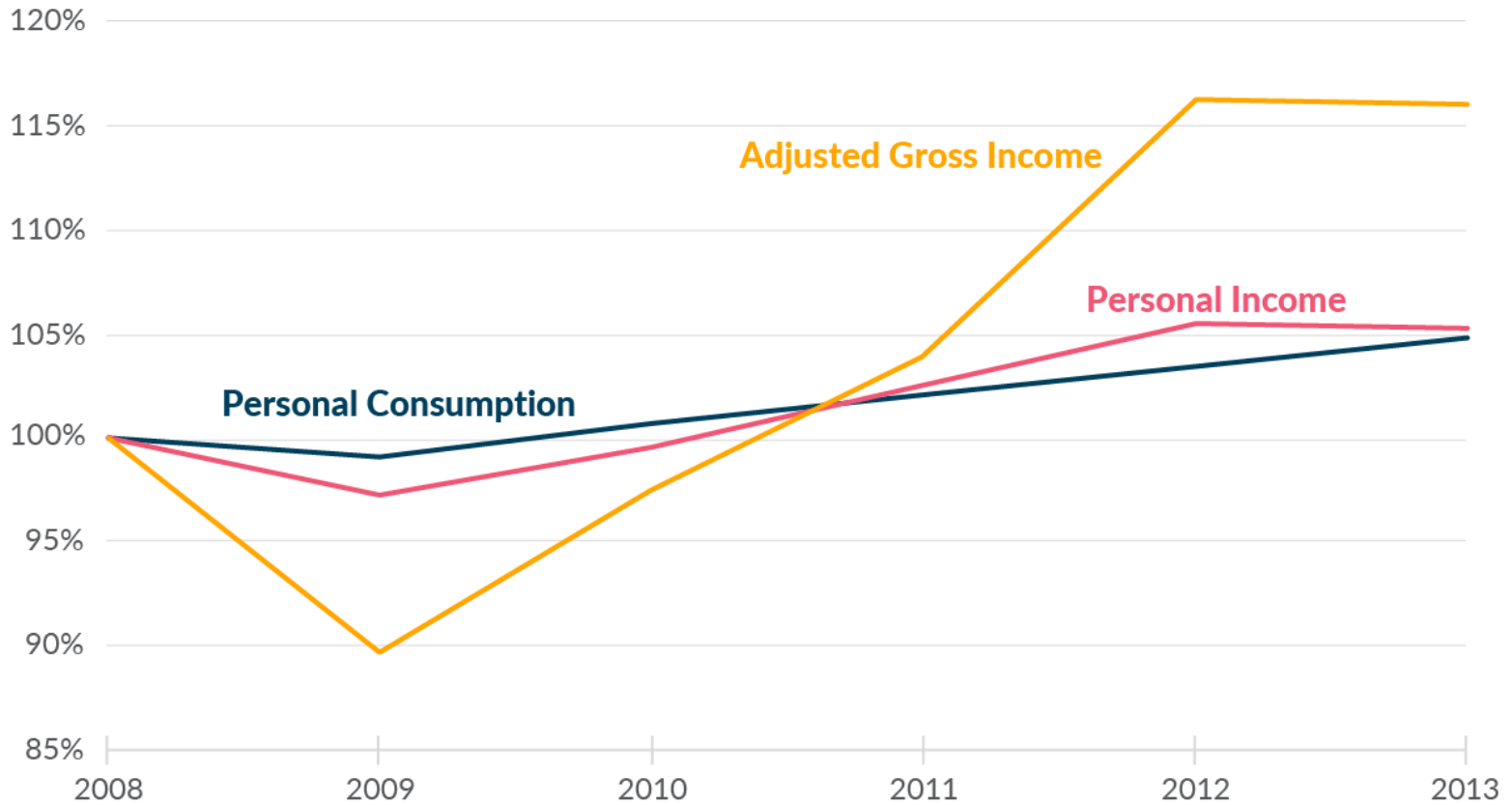


Volatility of State Tax Collections During the Great Recession



Sources: U.S. Census Bureau; Tax Foundation calculations.

Income and Consumption During the Great Recession

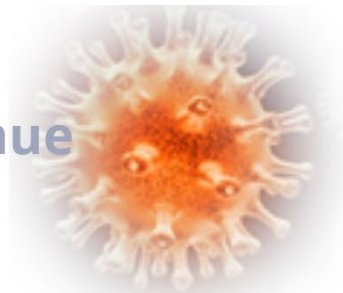


Sources: U.S. Census Bureau; Tax Foundation calculations.

TAX FOUNDATION

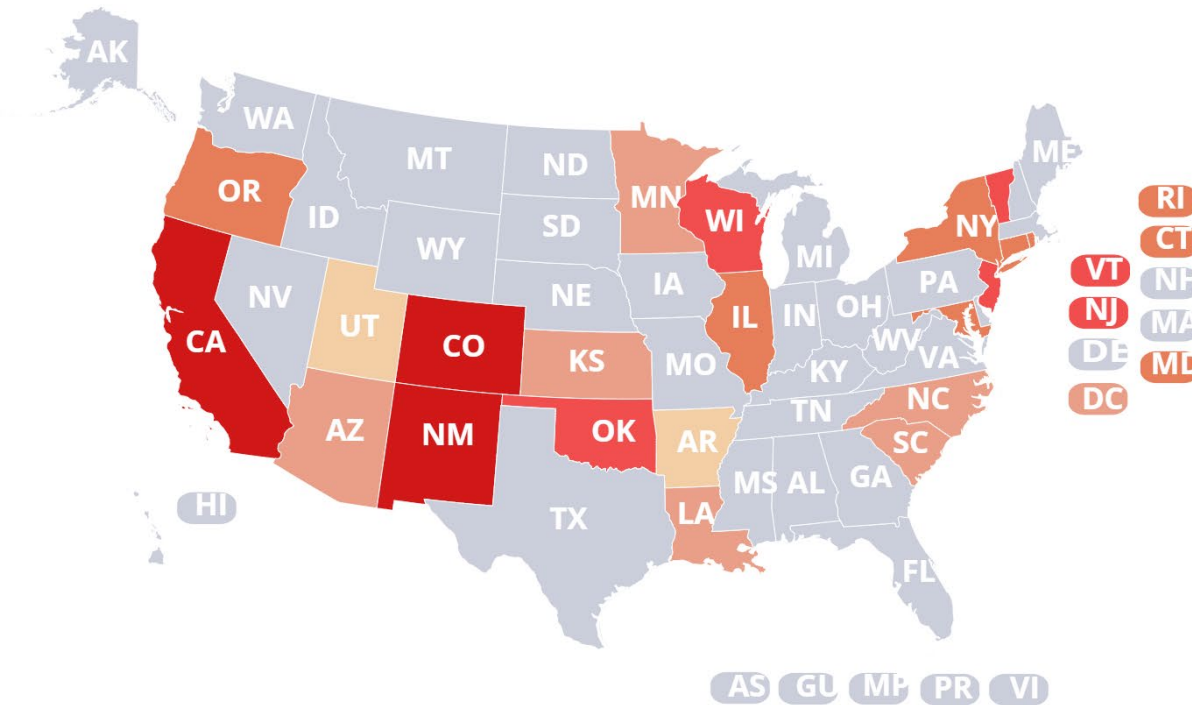
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Revised State Fiscal Year 2021 Revenue Declines



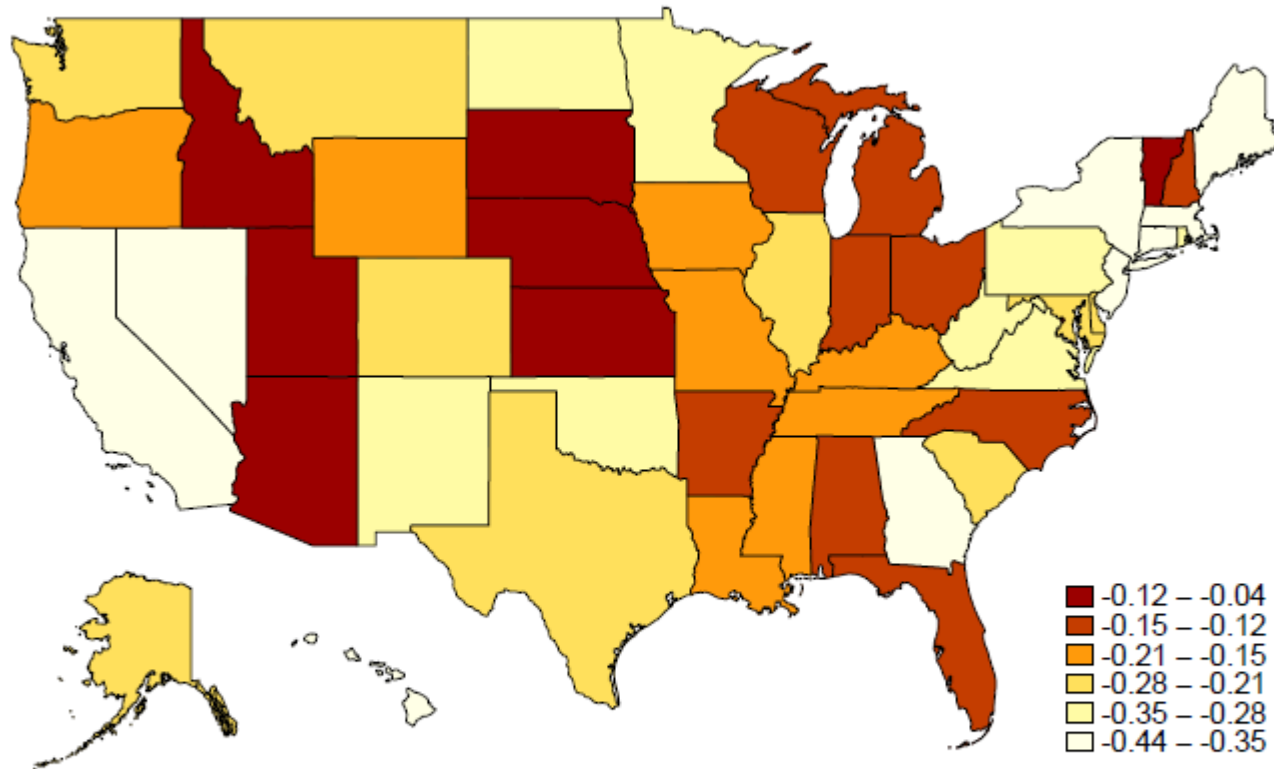
Percentage Decline

- > 5%
- 6-10%
- 11-15%
- 16-20%
- < 20%



Source: NCSL

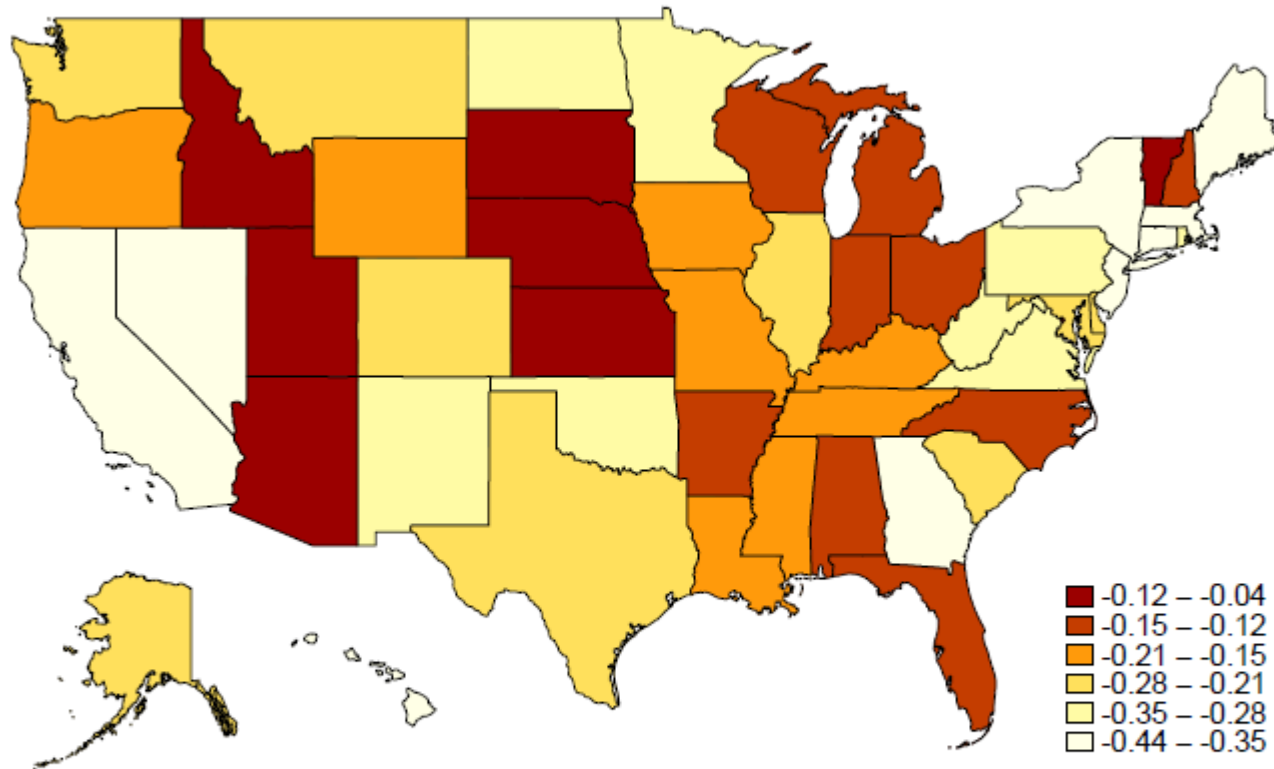
Figure 4: Counterfactual Estimation of State Tax Revenue Declines from the Pandemic



Source: Calculations. The figure plots the estimated decline in tax revenues across states. First, we estimate counterfactual employment for 2020 by projecting 2019 state-level employment forward using a linear trend. We estimate the trend by running state-specific regressions of employment growth on a year trend using our quarterly state panel from 2010 to 2019. Second, we use state continuing claims data as of April and subtract it out of 2019 state-specific employment. Third, using these two quantities, we compute the percent change between actual and counterfactual employment for 2020 and multiply it by the elasticity obtained from our state-specific regressions of tax revenue growth on employment growth.

Source: Makidris & McNab

Figure 4: Counterfactual Estimation of State Tax Revenue Declines from the Pandemic



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Source: Makidris & McNab

UTAH REVENUE ESTIMATES

- Original combined range for FY 2020 & FY 2021: \$17.5 to \$17.7B
- New combined range for FY2020 & FY2021: \$15.7 to \$16.9 B
- Anticipated two-year revenue loss: 5-12%
- \$840 million shifted from FY 2020 to FY 2021



Utah GDP Growth Since 2017

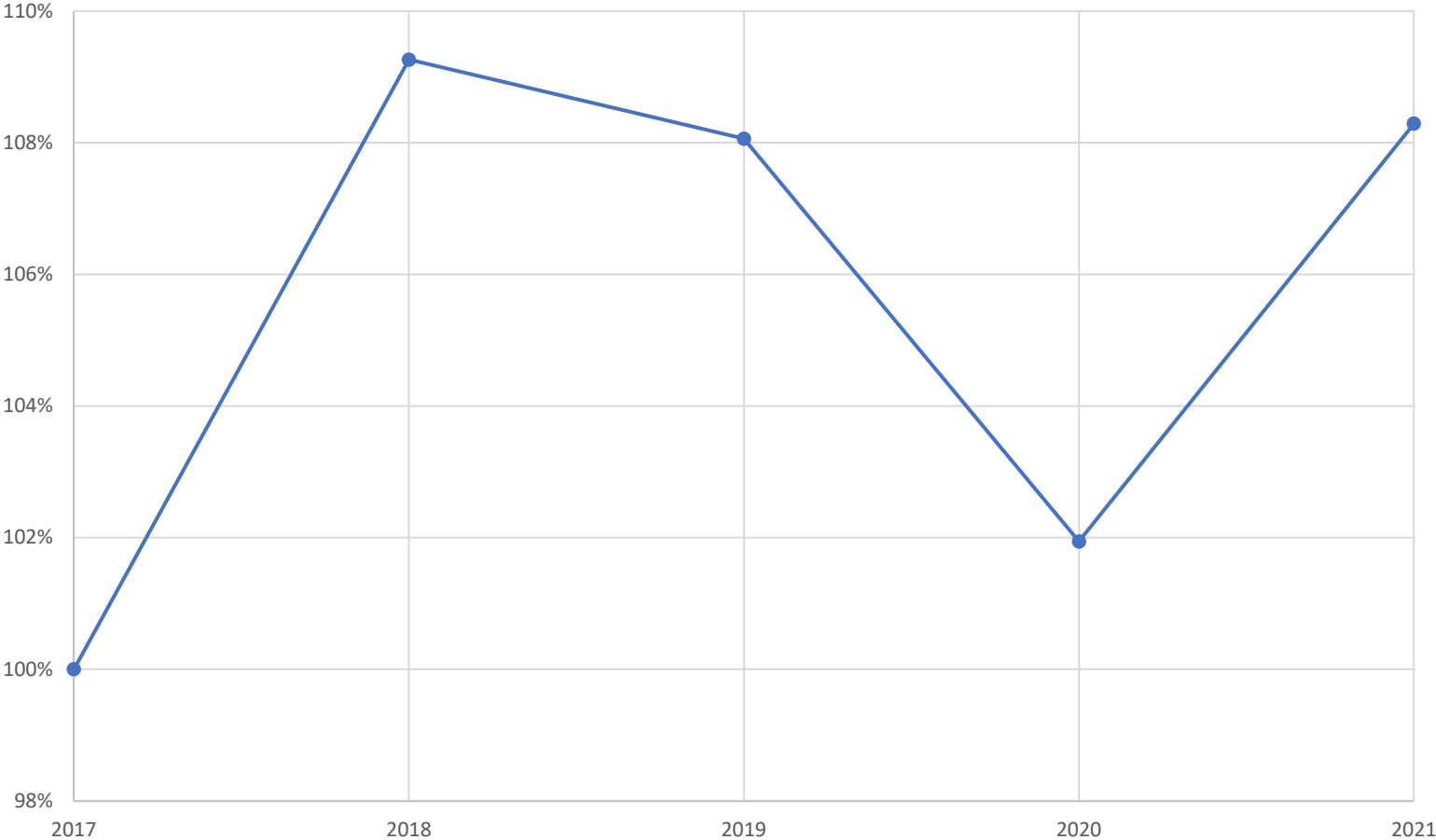


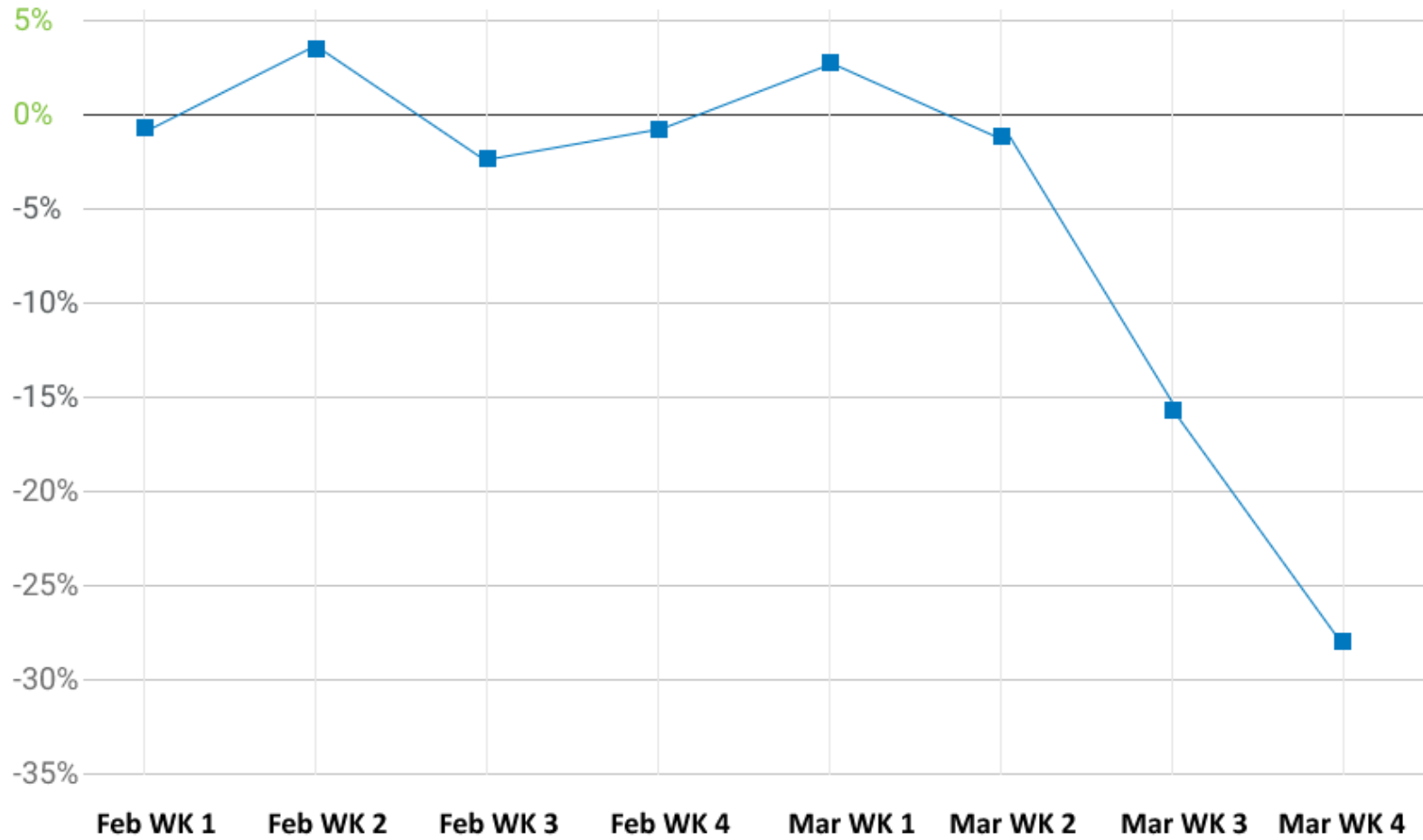
Table 3. Anticipated Revenue Losses Against FY 2019 Actual and FY 2020 Projected Baselines

	FY 2019 Actual Revenues				FY 2020 Preliminary Budget		
Years	State	Local	Total		State	Local	Total
FY 2020	\$120.5	\$56.9	\$177.4		\$148.5	\$68.3	\$216.8
FY 2021	\$153.5	\$72.4	\$225.9		\$181.5	\$83.5	\$265.0
<i>Both Years</i>	<i>\$274.0</i>	<i>\$129.3</i>	<i>\$403.3</i>		<i>\$330.0</i>	<i>\$151.8</i>	<i>\$481.8</i>

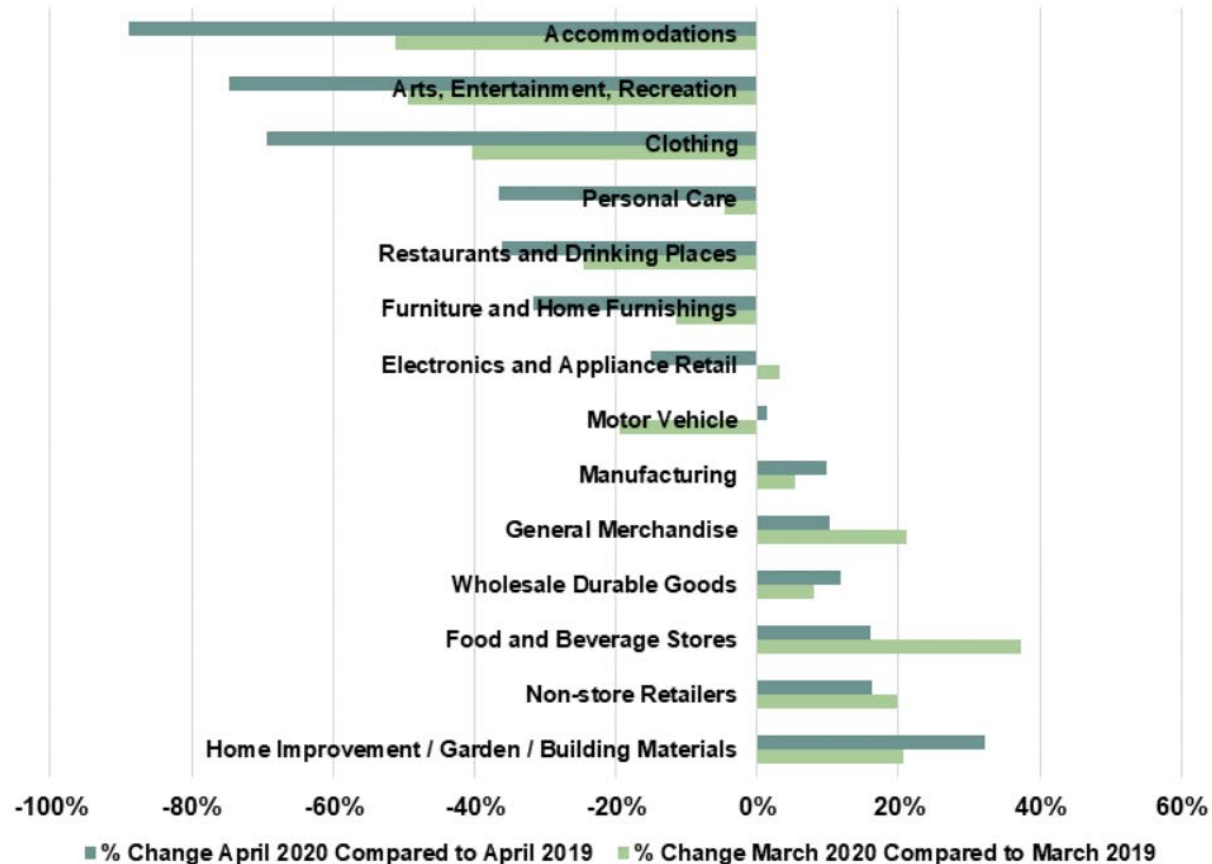
Sources: Moody's Investor Service; U.S. Census Bureau; Tax Foundation calculations.

General Merchandise: Dollar Change Versus Year Ago

Source: NPD



% Change in Taxable Sales for Selected Sectors - March & April 2020

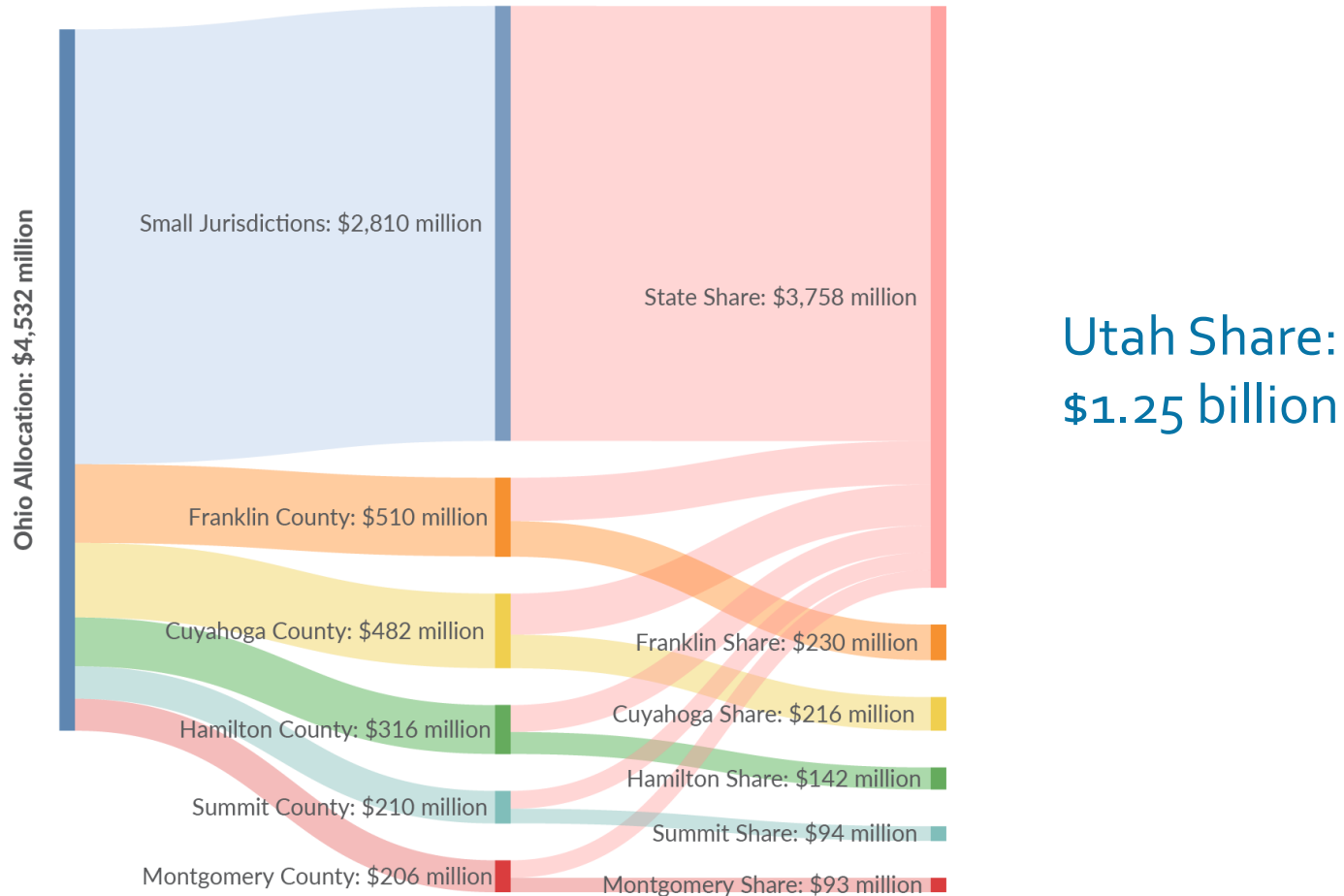


Source: Utah State Tax Commission

STATE AID

- Emergency Stabilization Fund (\$454 billion)
- Emergency Supplemental Funding: \$274 billion
 - Disaster Relief Fund: \$45 billion
 - Education Stabilization Fund: \$30 billion
 - Transit Infrastructure Grants: \$25 billion
 - Airport Improvement: \$10 billion
 - Community Development Grants: \$5 billion
 - Homeless Assistance Grants: \$4 billion
 - Economic Development: \$1.5 billion
 - Preparedness Grants: \$1.5 billion
- Coronavirus Relief Fund (\$150 billion)
 - Utah Share: \$1.25 billion
- Stafford Act Declaration: \$50 billion

State and Local Shares of CARES Act Funding in Ohio (example)



Utah Share:
\$1.25 billion

Sources: CARES Act; U.S. Census Bureau; author's calculations.

Utah

Total allocation	\$1,250,000,000.00
<i>Eligible local governments that certified:</i>	
Salt Lake County	\$203,603,981.20
Utah County	\$111,630,341.90
Payment to the state	\$934,765,676.90



CARES ACT CONFORMITY

- 163(j) to 50% of EBITDA for 2019-'20 (conforms)
- NOL carryback of 2018-'20 losses for 5 years;
80% NOL cap lifted for 2019-'20 (decouples)
- QIP technical correction (conforms)
- Loan forgiveness (unclear outcome)
- Above-the-line charitable deduction (conforms)

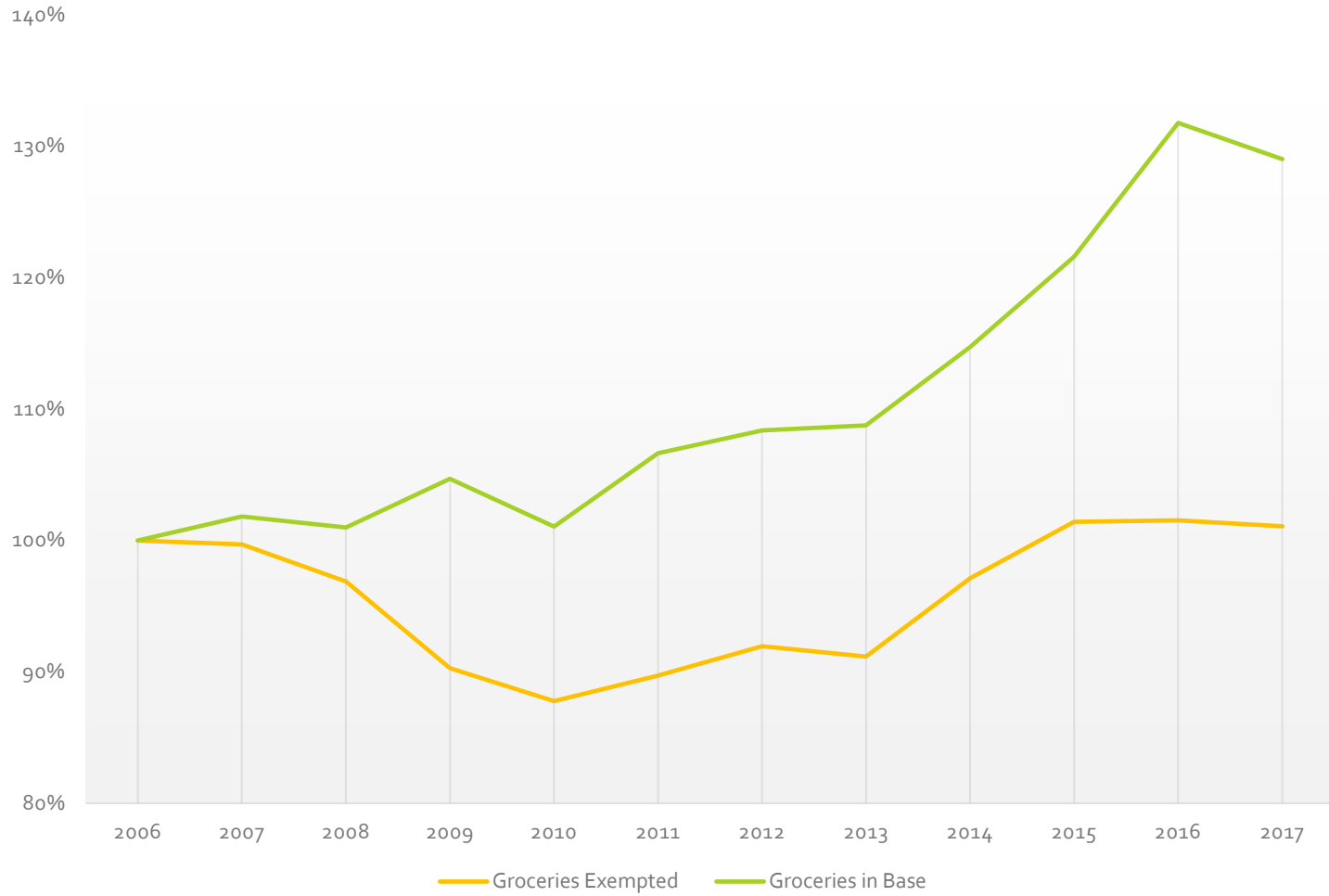


STATE POLICY RESPONSES

- Changes in tax payment and filing deadlines
- Conforming to or decoupling from CAREs provisions like PPP, NOLs, 461(l), and 163(j)
- Adjustments to telework-related withholding and nexus provisions
- Budget adjustments
- Rainy day fund utilization
- Changes to UI benefits
- Adjustment of UI tax schedules
- Considering options to promote greater stability
- COVID-19 response appropriations or contingency funds
- Anticipation of additional federal aid
- Tax increases?



Sales Tax Revenue Growth



STATE ACTIONS THUS FAR

- Thus far, most states are avoiding tax increases, though local governments are raising sales and other local taxes in some jurisdictions
- Where major tax increases are being considered (Colorado, Illinois, Massachusetts, New Jersey, D.C., Seattle, San Francisco, etc.), they tend not to be about COVID-19
- State actions have largely been about easing restrictions for businesses to rehire



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