

NCSL Task Force on State and Local Taxation

Triaging FY 2021: Comparing COVID Pandemic to Prior Recessions

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Great Recession v. Today: Economy & State Tax Revenue

Great Recession (December 2007 - June 2009)

- Two-year state revenue decline: 11.6% (NASBO)
- Unemployment: peaked at 10.0% in 10/09 (22 mos.); exceeded 8.4% for 30 mos.

Current Recession (February 2020 - ?)

- FY 20 revenue decline: 1.6% (NASBO w/ timing change)
- Unemployment: 14.7% peak in 4/20 (2 mos.); exceeded 8.4% for 4 mos.
- BUT, initial unemployment claims remain historically high
- FY 21 forecasts:
 - CBPP: May est. -41%; August est. -20%
 - Moody's: September est. -11% (approx.)

Great Recession v Today: How Did States Respond?

Solving the Great Recession Budget Gaps (CBPP)

- Spending cuts: 45%
- Federal stimulus: 24%
- Tax increases: 16%
- Rainy day funds: 9% (“Other”: 6%)

Current Recession Budget Gaps

- Rainy day funds: \$90B (FTA – 10% total state budgets)
- Federal stimulus to state & local gov’t: \$246B (to date)
- Significant state tax actions very unusual in 1st year

What Did States Do After Recessions?



Current Recession: State Tax Actions to Date

- Action so far has primarily been administrative
 - Extending tax filing and payment deadlines (every state has extended at least one deadline)
 - Modifying nexus requirements to avoid punishing telework
- Modifying and extending Net Operating Loss provisions (Introduced legislation: LA, KS, SC, PA)
- Modified conformity/decoupling from the CARES Act
- Very few actual tax increases thus far

What Should States Do?

General Recommendations: Data, Coordination & Patience

Joint Legislative/Executive Branch Data Sharing

Liaison with Key Employers

Focus on the Big Picture

Temporary Problems Require Temporary Solutions

Be Patient...and Decisive

Tax Recommendations: DO...

Ensure Your Revenue Department is Well-Funded

Get Technical (e.g., 1099-K & CSPs)

Think About Timing

If All Else Fails, Increase Taxes...With Sunset Dates!

Tax Recommendations: DON'T...

Create a Blue Ribbon Tax Reform Commission

Rely on Tax Expenditure Reports

Tax Business Inputs

Go Crazy



M U L T I S T A T E

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