

Massachusetts tax collections plunge by \$2.3 billion in April

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State tax collections tumbled in April by more than \$2.3 billion compared to last April, another sign of the damage inflicted on the economy and the state's finances by forced business shutdowns aimed at slowing the spread of COVID-19.

Revenue Commissioner Geoffrey Snyder late Tuesday announced that collections last month totaled \$1.981 billion, down 54 percent, or \$2.34 billion, when compared to April 2019. Some of the decline stems from the state's decision in late March to push the April 15 income tax filing deadline to July 15.

April is typically the biggest month of the year for collections. The decline in revenue comes 10 months into fiscal 2020, a budget year where the state had been on track to possibly produce a surplus, before the pandemic struck.

Now, officials are poised to embrace short-term borrowing to offset some of the decline in receipts, with House and Senate leaders showing more interest in passing a borrowing authorization bill filed by Gov. Charlie Baker in late March.

With hundreds of thousands of Massachusetts residents suddenly jobless during the pandemic, income taxes last month were down by nearly \$2.1 billion, or 65 percent, compared to April 2019, accounting for most of the year-over-year decline for the month.

It's unclear how much of the revenue plunge is attributable to the postponed filing deadline, and how much stems from the

drop in economic activity.

The state reported Tuesday that the Department of Revenue received 24 percent fewer income tax returns through April 30 than the same period last year.

Evan Horowitz, executive director of the Center for State Policy Analysis at Tufts University, said that as much as 80 percent of the April drop may be attributable to the deferred tax-filing deadline, but added that "the slowdown is big." Horowitz said the latest income tax withholding and sales tax data suggested people are still earning money but not spending it, which he said may help with demand during a potential recovery.

With two months left in the fiscal year when the state has spent most of its more than \$43 billion budget, tax collections are running 6 percent, or nearly \$1.5 billion, behind the same 10-month period in fiscal 2019.

"The April revenue shortfall is attributable to multiple factors, including adjustments to tax payment deadlines across several categories, the extension of the personal income tax filing and payment deadline, and the overall impact that necessary COVID-19 precautions have on economic activity. We will continue to closely monitor the deferral of tax receipts and how COVID-19 impacts the economy for the remainder of the fiscal year," Snyder said in a statement.

The governor's office and Administration and Finance Secretary Michael Heffernan have pointed only to the borrowing bill when asked in recent weeks about plans to ensure a balanced fiscal 2020 state budget. Beyond that, an aide said, the administration is monitoring tax collections and federal funding.

A Heffernan spokesman had no further comment Tuesday in light of the news about April tax collection levels.

Massachusetts has about \$3.5 billion in its stabilization account, fiscal analysts recently gave the state's cash flow position a mostly favorable review, and the state is in store to receive federal aid to deal with coronavirus impacts and pay unemployment benefits.

The pandemic is causing lawmakers to pause state budget deliberations and recalibrate estimates and expectations, with one of the next steps being a new assessment of anticipated tax collections.

S&P Global Ratings in a late-April bulletin said it ran the state's cash flow projection from February through a stress test and found that, even without the additional cash flow financing bill, the state will have the liquid funds it would need to cover expenses for the remainder of fiscal year 2020, which ends June 30. The projection, S&P said, forecast a nonsegregated available cash balance of \$3.18 billion at the end of March.

Hit harder by the pandemic than other states, Massachusetts is still in the grips of its fight against the deadly and highly contagious virus. Economic reopening plans are being discussed with more intensity by the day, and a plan from a working group led by Lt. Gov. Karyn Polito is due this month.

Total confirmed COVID-19 cases in Massachusetts since the outbreak began surpassed 70,000 Tuesday, reaching 70,271, while 122 additional fatalities brought the death toll to 4,212.