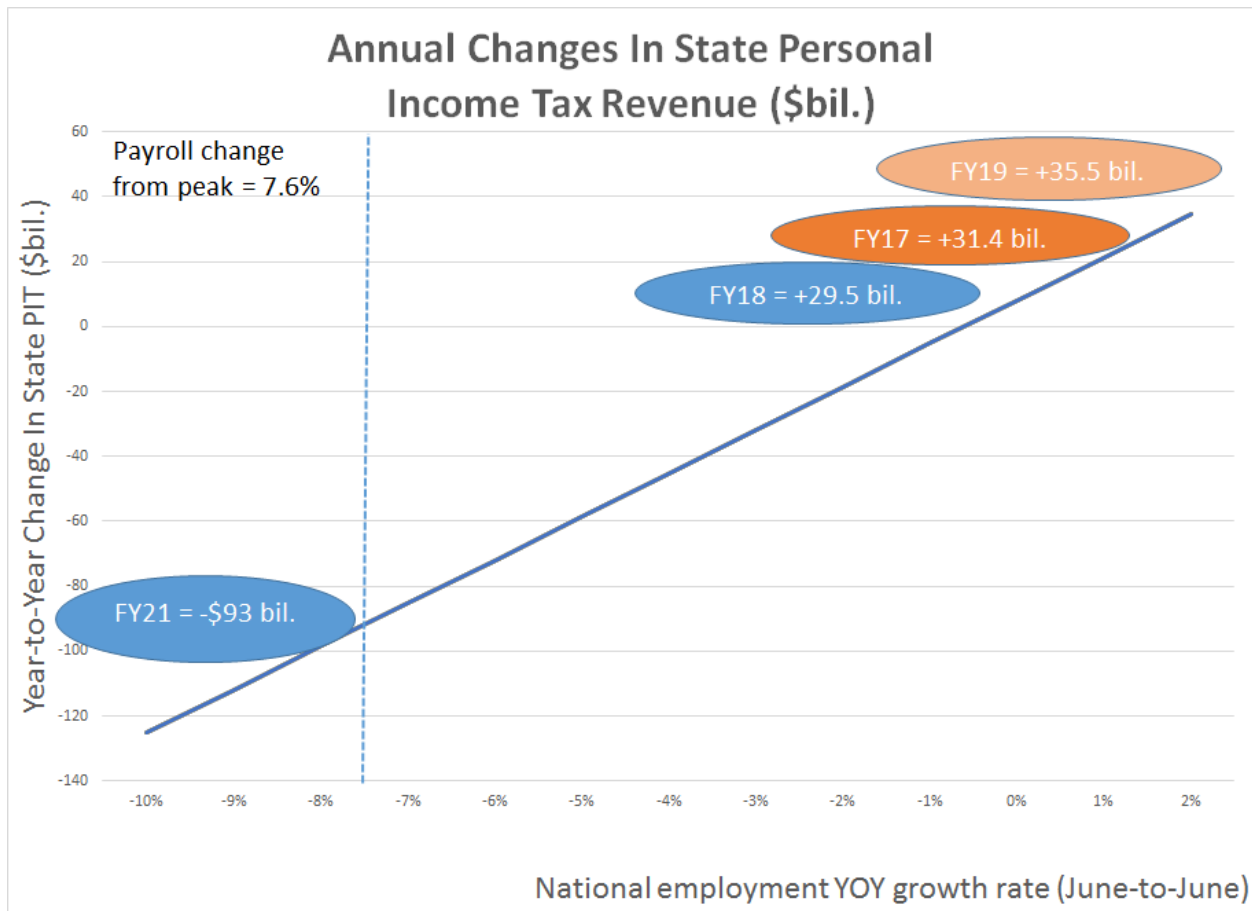


As of Jun-20, the national unemployment rate stood at 10.2%. Payroll employment in the U.S. has decline by 7.6% from its peak. Despite all the efforts by the federal government and the Federal Reserve, the likelihood that business activity will go back to normal in 2020 and 2021 seems unlikely. You can open up restaurants, you can clean up the airplanes, but demand for these services is likely to remain subdued until a sufficient amount of the population is inoculated. The Congressional Budget Office projects the national unemployment rate will remain quite high — 8.6 percent — in the last quarter of 2021. The 7.6 percent decline is likely to remain for some time.

The IRS provides data on state personal income tax revenue collections (PIT) back in 1997. Regression results show an elasticity between PIT collections and changes in payroll employment of 3.25. Using this measure and retaining the 7.6% decline in payroll employment for FY21, we calculate combined PIT



revenue for the United States for FY21 at \$93 billion (a 21% decline from FY20). This shows up on Chart 1 in the bottom left-hand corner. In Table 1 we see the Center for Tax Policies’ estimates for three tax revenue categories for FY20 and FY21 for 27 states. They also have an estimate for the whole nation for FY21 of \$125 billion. This estimate matches pretty close to the Cleveland Fed’s estimate of \$122 billion for FY21.

Our estimate for PIT collections is \$93 billion versus the Center for Tax Policies is \$75 billion. Our methodology for estimating PIT revenue collections can be found on the Center for Housing and Tax Research’s website.

Table 1. Projected Tax Revenue Declines From Pre-covid-19 Levels		
Tax Policy Center (TPC, 27 states)		
Personal Inc - Pre	48,000,000	17,000,000
Corporate Inc	9,000,000	4,000,000
Sale	21,000,000	9,000,000
Total 27 states	80,000,000	34,000,000
Total 50 states	125,000,000	75,000,000
Cleveland Fed		
Total 50 states	122,100,000	84,900,000
CHTR (For 50 states)	93,195,472	33,682,026
TPC (For 50 states)	75,000,000	37,500,000
[1] https://www.taxpolicycenter.org/taxvox		
https://www.clevelandfed.org/newsroom-and-events/publications		